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COMPREHENSIVE REPORT ON HOUSING CONSERVATION

prepared by the
City of Berkeley
Housing Conservation
Task Force
June 1975

*Includes
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INTRODUCTION

On February 20, 1973, the City Council declared its intent to complete the San Pablo Code Enforcement Project and requested that recommendations be submitted concerning extending that kind of program to other areas of the City. On September 6, 1973, the City Manager presented a report to Council entitled "Housing Conservation Policy,"¹ which stated that

"it has become apparent that proposals for a City-wide housing rehabilitation program should be preceded by a Council policy determination on the broader question of the City's functional role in housing of which rehabilitation is only one facet. This subject is complex, involving consideration of finance, services, physical development, administration organization, capital improvement programming and legal framework."

The report went on to propose the following policy statement which was later adopted by Council on January 16, 1974:

- The City Council finds that substantive public actions in support of housing conservation are necessary to fully protect the health, safety, and welfare of the citizens of Berkeley.
- As a consequence of this finding, the City Council determines that housing conservation is an appropriate general municipal function for the City of Berkeley and the City should take steps to assume continuing responsibilities in this regard; and,
- The City Council directs the City Manager to establish a Task Force composed of the heads of appropriate departments, the Mayor, representatives of the Housing Committee of the Planning Commission, and other persons deemed appropriate by the City Manager to formulate detailed recommendations on the establishment of housing conservation functions in city government. The City Council further authorized the City Manager to expend up to \$30,000 for the purpose of technical staff support for the Task Force.
- The City Council directs that the Task Force prepare a comprehensive report and recommendations for submission to the Council no later than May 1, 1974. Such report shall include the following subjects:
 - A complete analysis of the costs of a comprehensive housing conservation program.
 - Recommendations on the organization and establishment of an administrative structure to carry out conservation activities.
 - If possible, recommendations designed to insure that the City

¹ Appendix C-1

meets all requirements associated with the Special Revenue Sharing Program.

- Analysis of and recommendations for maximizing utilization of any state or federal financial assistance programs for housing conservation.
 - Review of and recommendations concerning the use of non-governmental sources of financing housing conservation.
 - Recommendations on the content of a program to implement housing conservation functions reflecting proposals from the Housing Committee of the Planning Commission as to program operations policy assumptions.
- The Housing Committee of the Planning Commission is directed to formulate suggested policies to guide housing conservation program operations (i.e., financial assistance eligibility and priority questions, mandatory/voluntary program alternatives and guidelines, rehabilitation standards, etc.) and so advise the Task Force to assist in the preparation of the above comprehensive report.

On April 4, 1974, the City Manager held the first meeting of the Housing Conservation Task Force. On May 15, 1974, Leo Sullivan, Vice President, Bank of America, was loaned to the City for a three-month period to help in policy and program formation. During the three-month period, he served as an official member of the Task Force. On July 8, 1974, a Housing Conservation Coordinator was hired to serve on the City Manager's staff. One of her major responsibilities was to serve as staff to the Task Force and work with it on developing the comprehensive report. On September 9, 1974, an assistant was hired to work with the Housing Conservation Coordinator, principally on development of the report. The report which follows goes into depth on each of the subjects which the City Council directed the Task Force to cover. It draws upon

- interviews of key staff within the City and Redevelopment Agency,
- review of literature on municipal rehabilitation programs in other cities,

- interviews of staffs conducting municipal rehabilitation programs in other cities,
- interviews of experts in the field of housing,
- information gained by participation in key meetings within the City with respect to such topics as reorganization, Community Development Revenue Sharing, the Pilot Rehabilitation and Municipal Loan Programs,
- written material on various City plans, proposals, programs, and policies,
- windshield surveys,
- available data on Berkeley's housing stock and population,
- suggested policies provided by the Housing Committee of the Planning Commission, and
- lengthy Task Force discussion of the various issues involved.

It should be noted that since the Council mandate in January, 1974, many events have taken place in city government which have had significant impact on the direction and scope of the Housing Conservation Report.

- In August of 1974, the Housing and Community Development Act was passed and mandated preparation of an application for Community Development Block Grant funds. The application consisted of a Three-year Summary Plan, a Community Development Program, and a Housing Assistance Plan. The City's Community Development Program included a comprehensive housing program which was funded for 1.5 million dollars. The approved Community Development housing program is the core of the first-year pro-

posed Housing Conservation Program presented in Chapter Five.

- In November of 1974, the City Council approved the Reorganization Plan which created the Housing and Development Department effective May 1, 1975. The Department is comprised of five divisions, i.e., Administrative Services, Program Planning, Conservation and Development, Codes and Inspection, and Housing Services. This action obviated the necessity for proposing an administrative structure for the Housing Conservation Program, as mandated by Council in its Housing Conservation Policy. The Housing Conservation Program will be the programmatic focus of the Housing and Development Department.
- In May of this year, Council reviewed the Residential Rental Inspection Program proposed by the Housing Advisory and Appeals Board. This program embodies a comprehensive approach to systematic codes inspection and enforcement of the City's multi-unit residential structures. It is the core of the Codes Inspection and Compliance Element of the Housing Conservation Program.

These actions confirm the City's commitment to housing in general and housing conservation in particular.

CHAPTER ONE

PAST AND PRESENT CITY CONSERVATION ACTIVITIES

I. EARLY CONSERVATION EFFORTS

A. HEALTH AND SAFETY COMMITTEE

Berkeley has a history of city involvement in adopting policies and implementing programs designed to improve the housing in its various communities. In the mid-fifties, as a result of the South and West Berkeley communities request for City assistance in improving their areas, the City established a Health and Safety Committee to hold hearings on complaints pertaining to violations and property repairs. This was the City's initial step toward recognizing housing conservation as being a municipal function. The Health and Safety Committee, consisting of the Superintendent of Building, the Health Commissioner and the Fire Chief, responded to complaints by coordinating the three departments in making one inspection. House to house inspections of this type were made in the South Berkeley area (Sacramento to Adeline, Ashby south to the City line) and the West Berkeley area (Sixth to Second, Harrison to University). The activities of the Health and Safety Committee continued until the Inspection Services Department was established in 1965.

B. SOUTH CAMPUS UNASSISTED CODE ENFORCEMENT PROJECT

About 1967 an expanded version of the Health and Safety Committee's efforts to concentrate on specific areas was revived for operation in the South Campus Area between Bancroft and Dwight Way, Fulton and College. Originally this area had been considered for an urban renewal program; however, the plan was not approved by Council. Inspection Services

was then directed to implement a concentrated unassisted code enforcement effort in this area and provide the property owners with technical assistance on obtaining necessary financing to perform the repairs. The community had mixed reactions to the effort. The area was primarily large homes which had been converted to multi-family units. The University refused to comply with City housing codes and later decided to sell many of its residential properties to real estate speculators. Similarly, many owners determined it more economically feasible to demolish the older big buildings and construct large moderate cost apartment complexes than to try to rehabilitate the existing structures. Moreover, the new structures could command higher rents and required proportionally lower maintenance expenditures. These events were facilitated by the upzoning of the area, which had occurred in the early 1960's, and by the rapidly increasing student population which represented a readily available demand for the new housing.

C. SAN PABLO FEDERALLY-ASSISTED CODE ENFORCEMENT PROJECT

In June of 1968 the Federally-Assisted Code Enforcement (FACE) Program was started in the 47 blocks of the San Pablo Area between San Pablo, Sacramento, Ashby and Dwight Way, the largest such program in the nation. With the threat of conversion of San Pablo Park into a school, the community had formerly requested that a plan be developed for their area. San Pablo was the first neighborhood plan developed in the City. One of the recommendations of the neighborhood plan had been that some form of housing improvement effort should occur in the area. About the same time the plan was adopted by Council, the federal legislation was passed on the FACE program and an application was prepared and submitted.

The program was to be administered by the City's Inspection Services Department. Although regulations fluctuated during the course of the project, the federal legislation under which the San Pablo FACE Project was conducted basically provided three percent "section 312" loans for all owners and \$3,500 "section 115" grants for low-income owners to rehabilitate their houses. It was a mandatory program in that all owners within the area were to bring their properties up to code. For many reasons, principally because of the newness of the program (and, therefore, personnel inexperienced in conducting such a program) and the unsteady flow of 312 loan and 115 grant monies from Washington, the project did not meet peak activity until 1972. At this point, with almost ninety-five percent of the houses having been brought up to code, it is considered one of the most successful FACE projects in the country. Some of the innovative aspects which contributed to the success of the program and should be noted for possible duplication in future City conservation efforts are as follows:

- San Pablo Neighborhood Council, Inc., was established and has been very effective in enlisting resident support of the program. The Council has an emergency fund of \$1,000 to help residents of the area and holds various community events such as an annual Christmas Party and community picnics. To facilitate closing project activities, the Neighborhood Council authorized the FACE office to bypass usual procedures for prosecuting non-complying owners (including bypassing the Housing Advisory and Appeals Board) and take such cases straight to the District Attorney's Office.
- The San Pablo Neighborhood Council has formed a maintenance committee to make sure that the Council is apprised of any potential threats

which might cause the neighborhood to decline. The Committee has no funding; however, it plans to exert peer pressure to maintain and continue improvement of the neighborhood after completion of the FACE project.

- The area went from the second highest crime area in Berkeley to the second lowest over a five year period. Staff attributes this to the neighborhood cohesiveness that the FACE program generated.
- One full-time person and four part-time assistants, all project residents, were used to do community organization work and provide liaison services.
- Public improvements were provided. No liens were placed on properties and the area was not made an assessment district. Whereas usually owners pay 100% of cost, sidewalks were provided on a 1/3-2/3 basis with the City footing 1/3 of the cost and the property owner 2/3 of the cost. Additionally, street improvements such as street resurfacing, diverters, street lighting and traffic signs were provided. One street was rebuilt. All of these improvements have greatly enhanced the total character of the neighborhood.
- Encroaching commercial uses were prevented through down-zoning of the neighborhood.
- A grant fund in the amount of \$50,000 from the City's General Fund was established because of the lack of Federal funds. The limit of the grant is \$3,500. To date, six grants have been made. The City uses the same guidelines as for the FACE 115 grant under which an applicant is eligible if his income is less than \$3,000 a year or his housing expenses are in excess of 25% of the household income.

Also the FACE office has agreed with HUD to use the 221(d) (3) maximum limits as an additional criterion.

- Financial counseling was provided many of the applicants. The project has a less than 1% delinquency rate, which is exceptionally low. (The Federal Home Loan Bank Board does not take exception with a lending institution unless its loss rate is above 5.4%). Also, refinancing of obligations on properties provided owners relief from excessive housing expenses and over-extension. Hazard insurance policies in the FACE area were overwritten in most cases. Many policies included an average clause statement, which meant that the policy would not pay face value nor replacement value, but the value of property at time of loss less depreciation. Project staff assisted property owners in obtaining homeowner insurance policies at a lower cost.
- Project staff was able to subordinate liens in many cases, which was an effective tool in clearing title to properties and raising the HUD trust deed position on many properties.
- Taxes were mitigated in many instances. Project staff explained to the County assessor's field men that the majority of work performed on homes was deferred maintenance, not improvements. A tremendous amount of over-taxation existed because of the lack of knowledge on tax rights by owners. Elderly homeowners were assisted in filing for tax exemptions.
- Although full liability insurance coverage was required, performance bonds were not required of contractors. This allowed for a higher level of minority contractors' participation. About 58% of the jobs went to minority contractors.

- Neighborhood Youth Corps (NYC) workers were used in cleaning yards and in taking down dilapidated and nonconforming sheds. Initially, services were free to owners; near the end of the program, owners were charged the cost of tool rentals and hauling of debris. Services were provided in conjunction with the San Pablo Neighborhood Council, Inc. Similar services at a more extensive level are now provided under the PEP Program.
- Laney College formed a non-profit corporation called ROCHE to perform housing rehabilitation for hardship cases who would not otherwise be able to afford the work. This off-campus carpentry program has rehabilitated 14 properties over a 3½ year period. Students obtain both college credit and double union apprenticeship time from participation in the program. The program is basically funded by the college with the FACE project paying the overhead for instructors and for the lease of trucks and equipment. Students come on the jobs with their own hand tools. An agreement has been worked out with the labor union which allowed establishment of the program.

D. MODEL CITIES REHABILITATION PROJECT

In October, 1973, the Berkeley Model Cities Program entered into a contract with the City, for the City's Inspection Services Department to staff its rehabilitation program, which had not been successfully carried out by a private corporation. The Model Cities program provides a \$6,000 loan and a \$4,500 grant for low-income Model Cities home owners to rehabilitate their homes. The Physical Development Task Force of the Model Cities Board decides upon the merits of each application. Elderly residents have been given highest priority. The program does not have one area of focus, but performs spot rehabilitation throughout the Model

Cities area. Both staff and members of the financial community who have looked at the project are of the opinion that although the spot approach helps the individual homeowner achieve rehabilitation, it does not improve the economic value and stability of an entire community, and therefore would not encourage private lenders to invest in an area. Two innovative packages have been assembled within the Model Cities Area utilizing relocation grant monies:

- The demolishing of a single family residence to build a duplex.
Cost to build this duplex is less than rehabbing existing structure, plus income from additional unit will support loan payments on property.
- Demolishing a single family residence and remodeling and converting a relocated structure from a four-plex to a tri-plex. The bid package includes landscaping, walks, etc. Income from the units will be used in the financial projection package to obtain the permanent loan on the property. To date 39 properties have been rehabilitated through the Model Cities program.

II. PROGRAMS RELATING TO CONSERVATION AT THE TIME OF CREATION OF THE
DEPARTMENT OF HOUSING & DEVELOPMENT (MAY 1, 1975).

A. INSPECTION SERVICES DEPARTMENT PROGRAMS

Prior to creation of the Department of Housing & Development, the Inspection Services Department, which had been created in 1965, was the department within the City which was most actively involved in activities designed to conserve the housing stock. Activities of the department, which have been absorbed into the new department, can be grouped into four major divisions:

- The Building Division, responsible for the issuance of building permits, inspection of all building construction, enforcement of building codes, and enforcement of the zoning ordinance.
- The Housing Division, responsible for the issuance of permits for rehabilitation, responding to complaints regarding non-compliance with the Housing Code and enforcing the Housing Code.
- The Contract Administration Division, responsible for providing assistance to other City departments in the budgeting, bidding process, design, and contract administration of projects involving construction of new City structures and facilities.
- The Rehabilitation Division, responsible for the implementation of special rehabilitation programs such as the San Pablo Code Enforcement and Pilot Rehabilitation Programs.

As of May 1 the Housing Division and the Rehabilitation Division were involved in several conservation-related efforts all of which were absorbed into the new department. The funded programs relating to con-

servation included the San Pablo Code Enforcement and the Model Cities Rehabilitation Programs, which were described earlier, and the Pilot Rehabilitation Program, the Municipal Loan Program, the Multi-unit Inspection Program and the FHA and Cal-Vet Pre-Sale Inspection Program. The Green Decision and Retaliatory Eviction Procedure activities, and the Landmarks Preservation Program were, as of May 1, existing but unfunded conservation-related programs. Proposed programs relating to conservation were the Residential Rental Inspection Program and the Vacant Building Ordinance. A brief summary of these conservation-related programs follows.

FUNDED PROGRAMS RELATING TO HOUSING CONSERVATION

Pilot Rehabilitation Program

The Pilot Rehabilitation Program established by Council on January 16, 1974, is a voluntary approach to housing conservation being tested in three three-block areas of South Berkeley, West Berkeley, and San Pablo North. This program is described in detail in Chapter V.

Municipal Loan Program

The Municipal Loan Program, currently being implemented in conjunction with the Pilot Rehabilitation Program, provides rehabilitation loans ranging up to a maximum of \$10,000 for a single-family home and \$15,000 for a four-unit structure. This program is also described in detail in Chapter V.

Multi-Unit Inspection Program

Through the Multi-Unit Inspection program approximately 3,000 buildings of 3 or more units or 6 or more rented rooms are inspected once each year. The inspection is limited to the exterior and public areas of buildings, health and safety factors, fire extinguishers, trash and debris, and yards and parking facilities. Owners are notified of the inspection date by a computer mailing. A fee based on the number of livable units is charged for the yearly inspection. Revenues generated by fees are sufficient to cover the staff and associated program costs. As presently constituted, the Multi-Residential Inspection Program does not determine the extent to which the buildings inspected comply with the Housing Code.

FHA and Cal-Vet Pre-Sale Inspection Program

The FHA and Cal-Vet Pre-Sale Inspection Program has provided a method of insuring that houses sold under these programs are in compliance with the Housing Code at the time of title transfer. Under this program, properties to be insured with FHA mortgage insurance or to receive a Cal-Vet Loan are inspected prior to loan commitment. FHA and Cal-Vet both require that all violations be cleared prior to making the loan. Upon receiving a request for a pre-sale inspection, the Inspection Services staff obtains a written authorization from the seller indicating his understanding that once the inspection is made, any violations cited will be repaired regardless of whether or not the sales transaction is consummated.

A few years ago a pre-sale inspection program for all residential units was proposed. Those proposing the program felt that since almost all property is sold at least once every twenty years, a pre-sale inspec-

tion program would be an effective means of maintaining the housing stock. An ordinance was drafted which received the general support of the realtors. City Council did not enact the ordinance because of concerns raised as to the effects of such a program on low-income people.

PROPOSED PROGRAMS RELATING TO HOUSING CONSERVATION

Green Decision and Retaliatory Eviction Procedure Activities

In January, 1974, case of Green vs. the California Supreme Court, it was ruled that a "warranty of habitability" is implied in every residential tenancy in the state and that the landlord is legally obligated to provide safe, sanitary and decent housing which is fit for residential occupancy. The decision established a method for tenants to proceed against landlords whose dwelling units are felt not to meet the "warranty of habitability." In connection with this ruling, Inspection Services staff

- at the request of a tenant, inspects a structure and if code violations are found, informs the owner. The tenant may then within certain limitations withhold rent;
- appears in court for cases in which the owner has moved to evict the tenant because of nonpayment of rent. The court can order the tenant's rent lowered until repairs are completed.

Landmarks Preservation Program

On June 6, 1974, the City Council passed a Landmarks Preservation Ordinance which established a Landmarks Preservation Commission and pro-

vided guidelines for establishment of a program. The program will be aimed at the preservation of structures, sites and areas of special character or special historical, architectural or aesthetic interest. A list is being established of structures, sites, and areas having such characteristics. Once a structure has been designated a historic site, the owner will be responsible for maintaining the site in good repair and will not be able to make certain alterations without going through procedures to be established. The program is still in the early stages and has not been funded.

Residential Rental Inspection Program

The proposed Residential Rental Inspection Program would replace the current Multi-Unit Inspection Program and provide for the systematic inspection of rental units. Buildings would be classified and placed in either a one, three or five-year inspection cycle based on an exterior survey of the property. An inspection fee would be charged, and a property would be eligible for a change in category to a longer cycle if it were well-maintained. The program proposes a flexible enforcement plan with the property survey identifying

- life-threatening conditions which would be required to be repaired immediately;
- housing code violations which would be required to be corrected by the owner, except in the case of hardship owners or tenants;
- rehabilitation recommendations which would be provided to the owner to promote housing conservation.

The Residential Rental Inspection Program represents a possible continual systematic approach to housing conservation and a mechanism to prevent housing deterioration. It could also transform the City's role from one of reacting to housing problems to that of implementing a systematic approach to conservation. On March 18, 1975, Council adopted the Housing Advisory and Appeals Board recommendations regarding this program and referred it to the City Manager for refining of the program. The Manager's report is due to Council in June.

Vacant Building Ordinance

The proposed Vacant Building Ordinance is designed to conserve housing units and buildings by minimizing the destruction and vandalism of vacant structures. The ordinance would require the registration of buildings vacant for more than a certain number of days. The owner would also be required to pay a fee, secure the building, and remove all debris from the property. Properties would be registered to remain vacant for an expected time beyond which it would be necessary to re-register the building. Transfer of title during the period when the building was vacant would also require the re-registration of the building.

Staff would periodically inspect all vacant buildings to insure compliance with the ordinance. The department would also be authorized to secure and clear premises, if necessary, and recover the cost of these services by the attachment of a special assessment which would be recorded as a lien against the property.

FACTS RELATING TO INSPECTION SERVICES DEPARTMENT PROGRAMS
TO BE CONSIDERED IN DEVELOPING CITY-WIDE CONSERVATION PROGRAMS

Past conservation efforts have not been adequate. Prior to reorganization, the City was primarily reacting to problems rather than attacking and forestalling them. Reorganization partially represented recognition of the need for a more comprehensive approach to housing conservation. Part of the difficulty in implementing Inspection Services programs has been the lack of programmatic planning staff to carefully plan for executing each program (budgeting, staff, phasing) and to plan for adequate linkages between programs and provision of supportive services. Such programs as the proposed Residential Rental Inspection Program, City-wide Pre-sale Inspection Program and Landmarks Preservation Ordinance should receive detailed programmatic planning. Another major problem, which will probably always exist, is the vast discrepancy between the scale of the housing conservation problem and the amount of monies available to alleviate these problems.

B. PLANNING DEPARTMENT PROGRAMS

The Planning Department was established in 1948. Since then it has been involved in a number of housing conservation planning activities. The department's earliest efforts in this area resulted from recommendations set forth in the Master Plan, a twenty-year plan adopted by the Council in 1955. Two major recommendations of the Master Plan were that

- a major restructuring of the zoning ordinance governing land use should occur; and that
- neighborhood plans should be prepared.

Within two years after the plan was adopted, over 9,000 lots were down-zoned. This represented a beginning of the "conservation of neighborhood" concept which has persisted. The San Pablo Neighborhood Plan and West Berkeley Neighborhood Plan are two detailed plans which were developed. Both plans placed major emphasis on conservation of the existing housing stock.

Presently the Planning Department is involved in the following conservation-related activities:

- Master Plan Revision
- Housing Element of the Revised Master Plan
- Hearst Strip Study
- Vacant Lot Study
- Condominium Study

EXISTING ACTIVITIES RELATING TO HOUSING CONSERVATION

Master Plan Revision

In 1973 the Neighborhood Preservation Ordinance was passed. The Ordinance pointed out a number of deficiencies in the existing Master Plan, many of them related to housing, and directed the City Planning Commission to prepare a new Master Plan and Zoning Ordinance. These are to be completed by March 1976. The Revised Master Plan will include a document giving a series of policy statements in several subject areas, such as housing, open space and transportation, and will include a document containing specific neighborhood plans for each of the City's 21 neighborhoods. Each neighborhood plan is being developed in conjunc-

tion with its neighborhood organizations.

Housing Element of the Revised Master Plan

The legal requirements of the State regarding a Housing Element are that the Housing Element of the Master Plan consist of:

"...standards and plans for the improvement of housing and for the provision of adequate sites for housing. This element of the plan shall endeavor to make adequate provision for the housing needs of all economic segments of the community."

As presently proposed by the Planning Department, the Housing Element will have two major segments.

- Housing Policies
- The Action Plan, or Housing Program, which will set forth activities to take place on a priority basis.

Some of the items of primary concern which the Housing Element will address are:

- Housing Conservation - proposing a multifaceted approach to conservation with primary emphasis on the existing housing stock.
- University Housing - relating the needs of the University community to University-sponsored housing.

The Housing Element is scheduled for completion by June, 1975.

Hearst Strip Study

The Planning Department and Redevelopment Agency have been studying the land-use possibilities of the Hearst Strip for several years.

The Redevelopment Agency has assisted the Planning Department in doing the study by providing several financial analyses of how the Hearst Strip could be developed. The Strip, created because of Bay Area Rapid Transit construction, represents a potential resource for new and replacement housing, an integral part of any conservation effort. Three early alternatives were considered.

- The People's Park concept with Hearst Street being closed and the development of many community buildings;
- The development of 128 units at R-1A and R-2A density with less park space, less community buildings, and Hearst Street remaining open;
- The half closure of Hearst Strip, with Hearst Street open partially and 113 units being developed.

On February 11, 1975, the City Council approved the following recommendations with respect to the Strip submitted by the Planning Commission:

- Primary use should be park with community facilities to serve neighborhood and City-wide needs;
 - develop People's Park No. 2 as a City park;
 - a portion of the open space should be east of Grove.
- Any housing to be developed should be at the existing R-2 density.
- The Hearst Strip is not an appropriate site for a Peralta educational facility and it should not be located on this land.
- Size of other open space, community facilities, possible commercial and housing to be determined after the land is acquired.

Vacant Lot Study

The Vacant Lot Study was a joint study made by both the Planning Department and the Redevelopment Agency. The study has identified potential sites for replacement housing, including new construction and lots onto which structures may be moved. One method of financing the development of vacant lots and the development or rehabilitation of areas around vacant lots which has been considered in this connection is the use of tax increment financing. The study also considered methods of unscrambling mixed uses in the areas adjacent to vacant lots.

Condominium Study

The Planning Department is studying the socio-economic effects of the conversion of units to condominiums. Some of the major community concerns which have been expressed concerning conversion are

- the conversion of rental units to homeownership may have an adverse effect on an already tight rental market, particularly with respect to students;
- tenants of converted units may experience problems in relocation. Experience has shown that only one-third of the tenants usually buy. What impact the remaining two-thirds have on the tight housing market is also of concern.

Several tentative conclusions have been drawn with respect to condominium conversion.

- There are some positive benefits to conversion. The assessed value of a condominium is larger than its value as a rental unit. The

housing stock is improved because remodeling usually occurs. The condominium purchaser gains the direct financial benefits of home-ownership without maintenance responsibilities.

- Categorically, one cannot say that condominium conversions are "bad." Most of the units which have been converted to date have been more expensive units. Their conversion would not exacerbate the low and moderate-priced rental housing shortage condition.
- The study has been limited by the lack of comprehensive data on the Berkeley housing stock. An information system is needed.

FACTS RELATING TO PLANNING DEPARTMENT ACTIVITIES TO BE CONSIDERED IN DEVELOPING CITY-WIDE CONSERVATION PROGRAMS

The early neighborhood plans which were developed and the neighborhood plans being developed through the Master Plan revision process should be taken into consideration in developing future programs. The concept of utilizing vacant lots and the immediately surrounding areas for mini-renewal type efforts should also be considered. The necessity of establishing a housing information system in order to accomplish effective planning should be noted.

C. HOUSING AUTHORITY/REDEVELOPMENT AGENCY PROGRAMS

EXISTING ACTIVITIES RELATING TO HOUSING CONSERVATION

Section 23 Leased Housing Programs

The Housing Authority is responsible for administering the City's Section 23 leased housing program. Eleven hundred units are involved.

Under the program the Housing Authority enters into a two to five-year lease agreement with landlords. Low-income tenants pay the Housing Authority according to their ability to pay, and the Housing Authority pays the landlords an approximation of market-rate rents. The advantage to tenants is the lower rents, and the advantage to the landlord is the assurance of receiving uninterrupted income over a given period of time. The program relates to housing conservation in two ways:

- landlords are not allowed into the program unless their buildings meet code. The financial advantages of participating in the program can, therefore, be used as an incentive to landlords to rehabilitate their properties;
- the Housing Authority's ability to make long-term lease commitments can be used by owners to help them obtain financing for construction or major rehabilitation of units to be included in the Section 23 program. Over the years, the Housing Authority has provided long-term lease commitments to owners for the financing of rehabilitation and construction of approximately 150 units.

West Berkeley Industrial Park

The major activity of the Redevelopment Agency has been the West Berkeley Industrial Park. This controversial project proposes changing a 9.35 acre area of West Berkeley from a mixed residential/industrial use to an industrial park. It will involve demolition of approximately 54 units. The Agency does plan to relocate ten residential structures. The current plans call for

- relocation of two of the units onto City-owned properties in the

Model Cities area. The packages would include using relocation grant payments and Model Cities Rehabilitation loan and grant funds to provide interim financing;

- off site removal of the remaining units through direct sale. The real estate officer is presently preparing the invitations to bid on the properties. The Inspection Services Department is to cost out the site plans.

Savo Island Project

Several years ago the Model Cities Board requested that Savo Island be made a Neighborhood Development Program under the federal renewal legislation. Later, the 12-acre area was designated a study area under the State Community Development Law. In 1974, the City provided \$10,000 for an economic feasibility study for Savo Island and a community worker to act as staff to the Savo Island Project Area Committee (SIPAC). The proposed project calls for rehabilitation of approximately 12 structures and development of approximately two acres in low or moderate-priced housing units. A public hearing on the Savo Island Redevelopment Plan is scheduled for June 10, 1975; and the Agency is to submit to Council a detailed action plan for the project no later than July, 1975.

Other Activities

The Redevelopment Agency has participated in several joint studies with the City's Planning Department. The Planning Department of the Redevelopment Agency has also considered several projects to upgrade various areas of the City. A major tool which the Redevelopment Agency

has is the state renewal legislation, which allows it to create renewal areas and utilize tax increment financing and float bonds backed by tax increments to finance projects. Unlike the City, the Redevelopment Agency does not have a legal limitation on the dollar amount of bonds it may float nor must it go to the electorate before floating bonds. It is currently considering using tax increments to back bonds which would be floated to raise money for a rehabilitation loan program.

FACTS RELATING TO HOUSING AUTHORITY/REDEVELOPMENT AGENCY
ACTIVITIES TO BE CONSIDERED IN DEVELOPING CITY-WIDE CONSERVATION
PROGRAMS

The Community Development Act of 1974 calls for phase-out of the Section 23 leased housing program. The utilization of its replacement, the existing housing provisions of Section 8 of the new Housing Act, will require close coordination of conservation/code enforcement activities with obtaining Section 8 rental subsidies.

The Redevelopment Agency's legal capabilities to finance projects involving upgrading small areas and to raise capital for rehabilitation loans should be taken into consideration in developing a long-range conservation program.

CHAPTER TWO
CONSERVATION PROGRAMS
IN OTHER CITIES

I. INTRODUCTION

The conservation programs in Boston, Cincinnati, Dallas, Norfolk, Oakland, Palo Alto, Pittsburgh and San Francisco were reviewed. This chapter summarizes the programs in those cities.

II. BOSTON, MASSACHUSETTS

The Boston Model Cities Agency is operating three programs which provide assistance to homeowners rehabilitating their properties.

- Rehabilitation Grants are provided to complement Title I Property loans when the maximum loan is inadequate to complete needed rehabilitation. The grants, which have a maximum of \$1,600 per structure, are provided so that the effective interest rate of the total packages are lower than the homeowners would otherwise pay.
- Supplemental Rehabilitation Grants are provided for the repair of buildings which are located in either of the two urban renewal areas in the City and have been designated as unsafe for the use of the occupants by either the Housing Inspection Department or the Building Department. The maximum grant is \$5,000 per structure and the funds must be used to repair unsafe conditions only. Eligible applicants must be either the owner or an absentee-owner of a maximum four-unit structure who can demonstrate that he is incurring a loss on the building.
- The Housing Improvement Program is a City-wide housing inspection program which allows a tax credit for repairs made to correct code violations.

The maximum tax credit is \$3,000 per dwelling unit. The structure must be owner-occupied and contain no more than four units. Since the applicant must secure his own financing, the program is designed to assist the bankable property owner.

III. CINCINNATI, OHIO

Under study in Cincinnati is a city-wide rehabilitation program which would provide loans to low and moderate income owners of one to four family units and to owners whose housing expenses exceed 25% of their income. The program will be operated by the city's Department of Urban Development and will have the following features:

- It will be funded by the issuance of special revenue bonds in the amount of \$12 million. An additional \$300,000 from the city's general revenues and revenue sharing funds are proposed for a reserve account against losses so as to bring down the interest rate which the city will have to charge.
- Interest charged borrowers will be 4% plus $\frac{1}{2}\%$ to cover the administrative cost of servicing the loan.
- The maximum loan amount will be \$10,000 per dwelling unit and will be amortized for a term of up to 20 years.
- Loan criteria will be patterned after the Federal 312 rehabilitation loan program with the loans being secured by a mortgage against the property.

IV. DALLAS, TEXAS

Modeled after the Neighborhood Housing Services Program operating in Pittsburgh, Pennsylvania (see below), the City of Dallas established a cooperative rehabilitation program in 1973. The program:

- Operates through a non-profit corporation which manages a high risk revolving loan fund for persons not qualifying for conventional loans;
- Has a loan committee consisting of project area residents who screen applicants for high risk loans and determine the rehabilitation schedule;
- Uses the inspection and general neighborhood improvement services of the city's Department of Housing and Urban Rehabilitation; and
- Has commitments from 22 local banks and savings and loan institutions to make loans at discounted rates.

V. NORFOLK, VIRGINIA

As a result of the erratic flow of funds characteristic of the Federal 312 loan program, the Norfolk Redevelopment and Housing Authority (NRHA) in February, 1972, developed a "local 312" program to complete the Ghent Conservation program. This program was set up as follows:

- Approximately every six months, the Authority draws \$250,000 from one of the participating local banks. Presently the Authority has a \$2 million line of credit. Interest is paid by NRHA from the date the loan is made by the bank. Funds borrowed may be amortized over a term of 15 years. Any deficiency required in connection with the payment of

interest or the payment of principal at the end of the 15th year is to be paid out of the Authority's general funds.

- NRHA reinvests the draw in short-term government securities (mostly 30 to 90 day treasury bills, which provide the cash liquidity needed to meet seasonal and other variations in demand for loans).
- Initially the Authority borrowed at 4.5 per cent interest and loaned at 5 per cent. As of May 31, 1973, the Authority borrows at 5.25 per cent and loans at 6 per cent.
- The Authority assigns the borrower's note to the bank without recourse, as additional security for the bank's loan. In case of a delinquency, the bank refers the matter to the Authority for action.
- The Bank services the rehab loans to owners and charges a service charge of approximately $\frac{1}{4}$ per cent per annum. They have estimated this amount is necessary to break even on processing a \$9,000 loan.
- The NRHA staff uses HUD forms, procedures, and eligibility criteria for the federal 312 program in administering the local funds.

VI. OAKLAND, CALIFORNIA

An adaptation of the Pittsburgh Neighborhood Housing Services, Inc. (NHS) Program, the Oakland NHS is revitalizing a section of East Oakland on a block-by-block basis. Since being established in 1973, the primary function of the Oakland NHS has been to assemble and administer a high risk revolving fund for loans to residents who do not meet normal credit standards for reasons such as age or inadequate income. Property owners financing rehabilitation through their own financial arrangements are also

provided the full range of NHS services which include financial counseling, loan packaging, and securing bids from contractors. The program has been successful at:

- Receiving grant funds and administrative support of
 - \$50,000 from the Ford Foundation
 - \$50,000 from the San Francisco Foundation
 - \$30,692 from the Savings Association Mortgage Corporation
 - \$17,500 from the Oakland Clearinghouse Association;
- Obtaining commitments to make bankable loans and conventional long-term mortgage loans totaling \$129,850;
- Implementing a systematic code inspection program with the City of Oakland; and
- Having lenders examine their lending policy with a willingness to make changes to aid the program.

At the end of the first year of operation, the Oakland NHS had approved 14 loans totaling \$74,976.

VII. PALO ALTO, CALIFORNIA

Palo Alto has planned a direct loan program patterned after the FACE program but which would be voluntary. The City would determine the work to be done on the properties and would assist owners in finding suitable contractors. Loans would be made to eligible owners for the work the city has specified and a lien would be placed on the property for the loan. The proposed program would allow for the city to have direct control over the terms and conditions of rehabilitation.

VIII. PITTSBURGH, PENNSYLVANIA

The Pittsburgh Neighborhood Housing Services Corporation was incorporated on July 3, 1968, as a non-profit organization. The rehabilitation activities of the corporation have primarily been in Pittsburgh's north-side where a jointly operated door-to-door housing code inspection program has been carried out with the Bureau of Building Inspection and the Allegheny County Health Department. The major components attributing to the success of the NHS program are:

- The commitment of a consortium of 20 local financial institutions to making all bankable loans for the area and to pay administrative costs of the NHS office. The small but competent counseling and technical staff help residents go through the steps necessary to rehabilitate their properties.
- City commitment to conduct a systematic code compliance program for the specified area.
- A High Risk Revolving Loan Fund for nonbankable loan needs in the area. During the period of 1968-72, NHS received grants amounting to \$500,000 from the Sarah Mellon Scaife Foundation.
- Restriction of loan activities to areas requiring little or no acquisition for clearance.
- Operation of the program in neighborhoods where at least 50 per cent of the properties are owner-occupied.

As of July 31, 1973, a total of 280 loans had been processed. High Risk Revolving Loan Funds have been depleted, however, the loan repayments

of about \$7,500 per month are being used to make additional loans.

IX. SAN FRANCISCO

The proposed Residential Assistance Program (RAP) of the City and County of San Francisco is patterned after the Norfolk, Virginia program. The program will be under the administration of the Bureau of Building inspection, of the Department of Public Works and will operate in designated areas of the City. Presently three areas have been selected and three others are being examined. The Residential Assistance Program proposes:

- Using a \$20 million loan fund over a 5-year period. Funds would be obtained from the public sale of 20-year notes. The interest rates of the notes would not exceed the current market rate for AA rated 10-year general obligation securities. During the first year the City would pay only the interest on the loan. For the remaining 19 years, the City would make equal installments on interest and principal.
- Establishing a reserve fund in the amount of 50% of the maximum annual debt service cost.
- Providing conventional loans to each property owner located in the residential rehabilitation area who demonstrates an ability to pay. The general maximum terms of loan would be \$17,500 per unit, with repayment over 20 years, and a flexible interest rate (minimum interest rate to be charged would be the City's rate plus servicing fee).
- Providing hardship loans to low income applicants for repairing code violations only. The loans would be interest free with no repayment being due until sale or transfer or at the end of 20 years. The maxi-

mum loan would be \$3,500 per building. The City would place a lien against the property.

CHAPTER THREE

BERKELEY'S HOUSEHOLDS AND HOUSING STOCK

I. INTRODUCTION

Information on Berkeley's housing stock condition is very limited, random, and precludes comprehensive study of the housing conditions. However, the only basis for analysis is the information sources available. The following documents were used to make an analysis of housing conditions:

- Berkeley Profiles, Statistical Indicators by Study Areas: Master Plan Revision Program, Berkeley Planning Department, November, 1974 - document based on 1970 U.S. Census data plus current reports by City Departments and other groups. The information is arranged so that the community focus is emphasized.
- Building Condition Survey: Planning Department-Inspection Services, June, 1973 - based on a survey of 1,650 residential parcels and 1,861 structures representing a 5% sample of single homes in the City; 10% sample of 2-3 unit buildings in the City; 20% sample of other dwelling unit buildings in the City. It should be noted that this document is the only written source of data on repair costs. Besides being dated, this cost information is based on exterior surveys, which in the FACE area proved to be less than 1/3 of the actual cost.
- Housing Assistance Plan: January, 1975 - part of the Community Development Block Grant application. Includes an analysis of the various housing assistance needed to cover the next three years.
- Housing Needs: Parts I and II: Berkeley Planning Department, October 1974 - summary of housing needs according to income and structures based on 1970 Census and Condition and Household Surveys.

- Interviews with City staff.
- Tours of the City; and
- Review of past projects.

The information was analyzed to:

- Identify Conservation Areas and Categories. Areas feasible for various conservation approaches, ranging from unassisted to totally subsidized, were identified. Special categories were also identified for inclusion in the total conservation program.
- Determine Costs. Gross cost estimates are given.
- Recommend Programs. The analysis of the data on areas, categories and cost was the basis for the recommendation of various conservation programs. The programs recommended have City-wide impact as well as impact on specific areas/categories.

The procedure used in analyzing the data to identify areas/categories, determine cost, and recommend programs was that City "norms" were compared with the findings for the various study areas. The "norms" are the percentage, median, mean/average figure(s) for each variable for the City. For example, 56% of Berkeley's population pays more than 25% of their income for rent. Thus, if in a given study area 46% of that population pays more than 25% of their income for rent, that would not be considered as a problem. Each variable and norm used in the report is defined in the appendix.

The study areas provided a mechanism to compare information obtained from

census sources to information obtained from the Condition Survey. The study area groups used were:

- Master Plan Study Areas. The City of Berkeley has tentatively been divided into twenty-one areas by the Master Plan Revision staff. The study area boundaries in most instances correspond to census tracts and are based on a combination of previous studies by the Planning Department, community contacts by the Neighborhood Traffic Study, and natural physical boundaries. These study areas were preferred over census tracts because of the "neighborhood identity" that they convey. In a conservation effort, the neighborhood concept is an important catalyst in generating participation,
- Condition Survey Study Areas. The City was divided into four areas according to general socio-economic groups, similar population size, and general correspondence to census boundaries. Because of the limited sample used, the condition survey information was aggregated into the four areas from census tracts so that statistically significant information could be obtained on sub-areas of the City.

II. CITY-WIDE CHARACTERISTICS

Analysis of the data as indicated in Tables 1 and 2 resulted in several interesting findings. A summarization of the key findings follows:

- Table 1, Housing Conditions, indicates the structural conditions needing repair, both major and minor, as determined by the Building Conditions Survey. Of the 1,843 units surveyed for foundation and ventilation conditions, 395 or 21% were found to be in need of repair.

The structure types having the largest proportion needing repair were Single Family Residences (SFR) and 2-3 family units, with 26% and 22% respectively. These structure types also had the largest proportion needing electrical repair, with 41% of the SFR and 43% of the 2-3 family structures requiring such work.

- The ratio of cost of repair to floor area on the average was \$1.74/sq. ft. This ranged from a high of \$2.04/sq. ft. for SFR to the low of \$.53/sq. ft. for 10 and over family units. The average cost of repair per structure was \$2,347 for structures of 10 or more units and \$1,847 for SFR. The average for the City as a whole was \$1,980 per structure. As previously mentioned, these are extremely low cost figures.
- The Condition Survey indicated that the average time period during which the housing structures surveyed had had major remodeling work done was the decade of the 1950's. In buildings with 10 or more units, major remodeling had occurred on the average during the 1960's.
- Table 2, Housing Characteristics, provides additional information on Berkeley's housing stock. The housing condition indicators used by the Census Bureau provide very limited information on the condition of the housing stock. As of the 1970 Census, 59% of the housing units are 35 years old or older, 3% of the housing units lacked some/all plumbing, 5% of the housing units had one or more persons per room and 4% of the housing units lacked complete kitchens. 96% of the city's total housing units are occupied, with 34% being owner-occupied and 65% being renter-occupied. Of the renter-occupied units, 56% of the occupants are paying more than 25% of their income for housing.

III. CONDITION SURVEY AREAS

The Condition Survey showed that in both the North/Central and South/West areas there was a high incidence of structures needing foundation and ventilation repairs. In North/Central this condition was most prevalent among SFRs while in the South/West area it was prevalent among both SFRs and 2-3 family structures.

Plumbing and mechanical deficiencies were not as common; however, in the Hills and South/West areas there were a number of 2-3 family units needing repair. They represented 19% (of 36 surveyed) and 13% (of 161 surveyed) respectively of that housing type.

Electrical repairs were a major problem in the North/Central, South/West, and Campus areas with 39%, 37% and 44% of the structures surveyed needing repair. The highest incidence was in SFR and 2-3 family structures.

In the Campus area, 55% of the SFR and 62% of the 2-3 family units surveyed needed repair. In North/Central, 44% of the SFR and 40% of the 2-3 family units needed repair. A similar need for repair was cited in the South/West Area, involving 42% of the SFRs and 40% of the 2-3 family units.

The average cost for repairing the structural conditions cited in all types of units combined ranged from a low of \$1,114 per structure in the Hills area to a high of \$2,059 in the South/West area. However, the Hills area had the highest cost of repair for 4-9 units and 10 units and over structures. Here again the fact that the cost figures are very low should be noted.

For the SFR and 2-3 family units in all areas, the average time period of the last major remodeling activity was 1950-1959. Structures with

4-9 units, in all areas, experienced the last major remodeling, on the average, during 1940-49. The only category in which the average time range of the latest major remodeling was the 1960's was structures of 10 family units or more.

IV. MASTER PLAN STUDY AREAS

Information was extracted from the Berkeley Profiles on the following variables for the Master Plan Study Areas:

- Age of Housing Units
- Persons per Room
- Rent as a Percentage of Income
- Houses Sold
- Percentage of Sales with Conventional Financing
- Housing Value
- Mean Annual Income
- Population 62 Years and Over
- Disabled Population

The information was then compared with the City-wide figures for each variable and the differences determined. These differences are shown in Maps 1-9, in Appendix A.

The majority of Berkeley's housing stock was built prior to 1930. In Cow Hollow, Northgate, Thousand Oaks, Claremont-Elmwood and Hills between 65% and 90% of the housing was over 35 years of age. Overcrowding showed as a problem in a number of Berkeley's neighborhoods. Suds and San Pablo averaged between 1 to 2.5 persons per room. The incidence of overcrowding was more severe in West Berkeley, South Berkeley, McGee, Savo Island and downtown; these areas averaged more than 2.5 persons per room.

Using 25% of income being paid for rent as the norm, excessive outlays of income for rent were noted in Downtown, Savo Island, LeConte, South Campus, Bateman, Willard Park, North Berkeley, Northgate and Flatlands Area. The North Berkeley and Northgate areas excess ranged from 10-15% above the 25% figure while in the other seven areas the excess was over 15% above the 25% figure. These areas are in close proximity to the University campus and have a high concentration of students which, because of the manner in which the Census reports income data, probably skews the ratio of rent to income upward.

Owners in West Berkeley, South Berkeley, San Pablo, McGee and Hillside experienced difficulty in selling their properties. Of the properties offered for sale in those areas, less than 50% were sold. In the Suds, North Berkeley, Willard Park and Claremont-Elmwood areas between 50-80% of the property offered for sale was sold. In the remaining parts of the City, over 80% of the properties for sale were sold. Although conventional financing was the primary financing mechanism for the City as a whole, less than 70% of the properties sold in West Berkeley and South Berkeley used this form of financing.

The mean home values in West Berkeley, Westbrae-Nobbs, Suds, Flatlands, San Pablo, McGee and South Berkeley were less than 70% of the City-wide mean value of \$30,135. If housing cost is used as an indicator of quality, the lower home values in these areas would imply a poorer quality of housing.

The highest variance in mean annual income from the City-wide mean was found in the South Campus, Downtown, Savo Island, LeConte and Willard Park areas. These areas have a high concentration of students which is the most significant reason for the lower mean income. West Berkeley, Suds, Flatlands,

McGee, South Berkeley, Bateman, North Berkeley and Northgate also had lower mean annual incomes, ranging from 70% of the City-wide mean to just equivalent with the City-wide mean.

The concentration of two special population groups, senior citizens and disabled, was examined. Cow Hollow, Suds, San Pablo, Flatlands and Claremont-Elmwood were found to have between a 2-4% higher concentration of senior citizens than the City-wide norm, while Thousand Oaks, Hillside and Bateman had a concentration in excess of 4% over the City-wide norm. Disabled population concentration higher than the City-wide 9.9% was found in Northgate, Westbrae-Nobbs, Suds, San Pablo, McGee and South Berkeley.

Table 5 sets forth the tenure of the housing units in the 21 study areas and the composition of structure types.

V. CONCLUSIONS

The basic conclusions are indicated in Tables 6 and 7 which provide a summary of the problem areas in the City. From the Condition Survey it can be seen that the North/Central and South/West areas are the most in need of some rehabilitation effort.

The Condition Survey Areas consist of the following Master Plan Study Areas:

- Hills - Thousand Oaks, Hills, Hillside & Claremont-Elmwood;
- North/Central - Westbrae-Nobbs, Cow Hollow, Flatlands, Suds and North Berkeley;
- South/West - West Berkeley, San Pablo, McGee, Savo Island, Bateman, South Berkeley and part of LeConte; and

- Campus - Northgate, Downtown, South Campus, Willard Park and part of LeConte.

According to the Berkeley Profiles, South Berkeley had the highest incidence of problem conditions above the City norm with a total of six, followed by West Berkeley, McGee, Suds and San Pablo with totals of five. The Flatlands and Northgate were next with four. Downtown, Bateman, and Sava Island had an incidence of housing problems of three. The Hill area had the lowest incidence of problems with only one. And the remaining areas of the City, Westbrae-Nobbs, Cow Hollow, Thousand Oaks, Le Conte, Hillside, North Berkeley, South Campus, Claremont-Elmwood, and Willard Park showed two problem areas each.

There is a correlation between Master Plan Study areas showing the highest incidence of problems and the Condition Survey problem areas. Four of the Master Plan areas showing the highest incidence of problems are in the South/West Condition Survey area and two are in the North/Central Condition Survey area.

Because of the limitations of the data sources utilized, further investigation in the areas is needed to develop more conclusive results. These conclusions should not be interpreted as an absolute summary of the facts but rather a summary of the occurrence of certain incidents.

TABLE 1

HOUSING CONDITIONS

City of Berkeley

	Surveyed	Single Family Residence				2-3 Family		4-9 Family		10 & Over	
	Total	Total Needing Repair	Total Surveyed	Total Needing Repair	Total Surveyed	Total Needing Repair	Total Surveyed	Total Needing Repair	Total Surveyed	Total Needin Repair	
1. Structure Conditions											
(a) Foundation & Vent.	1,843	395/21%	1084	279/26%	410	89/22%	262	22/ 8%	87	5/6%	
(b) Plumbing & Mech.	1,841	94/ 5%	1083	55/ 5%	410	32/ 8%	261	7/ 3%	87	0/-	
(c) Electrical	1,840	684/37%	1082	440/41%	410	175/43%	261	65/25%	87	4/5%	
2. Ratio of Cost of Repair to Floor Area (Average)		\$1.74*		\$2.04*		\$1.68*		\$1.02*		\$.53*	
3. Average Cost of Repair/ Structure		\$1,980		\$1,847		\$1,709		\$2,225		\$2,347	
4. Year of Last Major Remodeling (Average Range)		1950-59		1950-59		1950-59		1950-59		1960-69	

Source: Building Condition Survey

*per square foot

TABLE 2
HOUSING CHARACTERISTICS
City of Berkeley

		%
1. Housing Units	47,369	
A. Occupied	45,654	96%
(1) Owner-Occupied	15,944	34%
(a) Mean Home Value	\$30,135	
(b) Average Value/ Income Ratio	2.0 to 2.4	
(2) Renter-Occupied	29,710	65%
(a) Mean Contract Rent	\$137	
(b) Renter Households Paying 25%+ of Income	16,902	56%
2. Structure Type (Residential)	25,657	
A. Single Family Residences	20,619	80%
B. 2-3 Family Residences	3,026	11%
C. 4-9 Family Residences	1,579	6%
D. 10 or more Family Residences	433	2%
3. Characteristics of Housing Units		
A. Units 35 Years Old and Over	27,033	59%
B. Units Lacking Some/All Plumbing	1,436	3%
C. Units with One or More Persons per Room	2,055	5%
D. Units Lacking Complete Kitchens	1,814	4%
4. Property Transactions (1973)		
A. Houses for Sale	141	
(1) Houses Sold	102	72%
B. Mean Length of Time Advertised	3.05 mo.	
C. Type of Loans for Houses Sold		
(1) Conventional	86	84%
(2) G.I.	1	1%
(3) VA or FHA	1	1%
(4) Other	14	14%

Source: Berkeley Profiles

TABLE 3

GENERAL POPULATION CHARACTERISTICS

City of Berkeley

1. Total Population	116,716	%
a. White	73,525	63%
b. Black	27,449	24%
c. Other	15,742	13%
2. Households	47,753	
a. Average Household Size	2.55 persons	
3. Mean Annual Income	\$7,341	
4. Sr. Citizens - 62 Years and Older	15,544	13%
5. Disabled	11,581	9.9%

Source: Berkeley Profiles

TABLE 4

HOUSING CONDITIONS

Condition Survey Areas

HILLSNORTH/CENTRALSOUTH/WESTCAMPUS

1. Structure Conditions

A. Foundation and Ventilation

	Total Surveyed	Needing Repair	Total Surveyed	Needing Repair	Total Surveyed	Needing Repair	Total Surveyed	Needing Repair
1. No. of Structures	475	21/4%	458	130/28%	532	141/26%	297	46/15%
(a) SFR	400	12/3%	250	116/46%	275	87/31%	94	19/20%
(b) 2-3 Family	46	6/13%	129	12/9%	153	43/28%	80	16/21%
(c) 4-9 Family	22	2/9%	68	2/3%	92	11/12%	73	7/10%
(d) 10 Family & Over	7	1/14%	11	-/-	12	-/-	50	4/8%

B. Plumbing and Mechanical

1. No of Structures	472	19/4%	507	20/4%	557	46/8%	303	11/3%
(a) SFR	400	11/2%	293	17/6%	285	20/6%	96	8/8%
(b) 2-3 Family	36	7/19%	130	3/2%	161	21/13%	79	2/3%
(c) 4-9 Family	22	1/5%	66	-/-	99	5/5%	76	1/1%
(d) 10 Family & Over	7	-/-	18	-/-	12	-/-	52	-/-

C. Electrical

1. No of Structures	475	101/21%	468	236/39%	559	204/37%	303	137/44%
(a) SFR	410	92/22%	293	173/44%	284	118/42%	95	57/55%
(b) 2-3 Family	36	8/22%	129	51/40%	163	66/40%	82	51/62%
(c) 4-9 Family	22	1/5%	66	12/18%	97	19/20%	76	26/34%
(d) 10 Family & Over	7	-/-	15	-/-	15	1/7%	50	3/6%

TABLE 4 (cont.)

	<u>Hills</u>	<u>North/Central</u>	<u>South/West</u>	<u>Campus</u>
2. Ratio of Cost of Repairs to Floor Area (Average)	\$ per sq. ft.	\$ per sq. ft.	\$ per sq. ft.	\$ per sq. ft.
(a) SFR	.97	2.52	3.20	1.46
(b) 2-3 Family	2.85	1.27	2.08	1.58
(c) 4-9 Family	2.05	1.28		2.15
(d) 10 Family & Over	.63	.49	.49	.52
3. Average Cost of Repair/Structures	\$ 1,114	\$ 1,287	\$ 2,059	\$ 1,471
(a) SFR	946	1,404	2,225	1,119
(b) 2-3 Family	2,027	1,167	2,092	1,800
(c) 4-9 Family	1,909	1,098	1,637	1,819
(d) 10 Family & Over	2,343	894	1,113	1,010
4. Year of Last Major Remodeling (Average Range)				
(a) SFR	1950-1959	1950-1959	1950-1959	1950-1959
(b) 2-3 Family	1950-1959	1950-1959	1950-1959	1950-1959
(c) 4-9 Family	1940-1949	1940-1949	1940-1949	1940-1949
(d) 10 Family & Over	-	1960-1969	-	1960-1969

Source: Building Condition Survey

TABLE 5
TENURE AND STRUCTURE TYPE

		Total Units	Occupied Units	Owner %	Owner Occupied	Renter %	Renter Occupied	Total Structures	SFR	%	2-3 Family	%	4-9 Family	%	10 or more Family	%	
1.	West Berkeley	2971	2841	97	812	27	2029	71	1787	1342	75	296	16	135	7	14	-
2.	Westbrae-Nobbs	3254	3159	97	1441	46	1718	54	2352	1942	82	295	12	97	4	18	-
3.	Cow Hollow	949	931	98	503	54	428	46	783	673	85	79	10	31	3	0	-
4.	North Berkeley	3693	3571	97	682	19	2889	81	1574	1032	65	298	18	186	11	58	3
5.	Thousand Oaks	2494	2456	99	1975	80	481	20	2297	2252	98	32	1	7	-	6	-
6.	Hill	4270	4232	99	3539	83	703	17	4037	3888	83	133	3	15	-	1	-
7.	Hillside	1670	1593	97	622	39	971	61	1031	862	83	122	11	40	3	7	-
8.	Northgate	2734	2656	97	200	8	2456	93	622	303	48	129	20	129	20	61	9
9.	Downtown	3449	3236	93	83	3	3153	97	245	155	63	22	8	42	17	26	10
10.	South Campus	1769	1663	94	106	6	1557	94	347	162	46	71	20	53	15	61	17
11.	Claremont-Elmwood	2715	2644	97	1254	47	1390	53	1732	1460	84	155	8	95	5	22	1
12.	Willard Park	2053	1981	96	173	9	1808	91	633	381	60	120	18	89	14	43	6
13.	Bateman	708	684	96	195	29	489	72	366	248	67	74	20	38	10	5	1
14.	Le Conte	3171	3017	95	647	21	2370	79	1209	781	64	236	19	145	11	47	3
15.	Savo Island	1302	1182	90	160	14	1022	87	426	288	67	84	19	44	10	10	2

TABLE 5 (cont.)

		Total Units	%	Occupied Units	%	Owner Occupied%	Renter ^a Occupied%	Total Structures	SFR	%	2-3 Family	%	4-9 Family	%	10 or more Family	%		
16.	Flatlands	2082		1984	95	554	28	1430	72	1105	828	74	180	17	81	7	16	1
17.	McGee	2082		1996	96	723	36	1273	64	1207	913	75	197	17	77	6	20	1
18.	Suds	1983		1931	97	680	35	1251	64	1259	1059	84	129	10	66	5	5	-
19.	San Pablo	1438		1399	97	779	56	620	44	1144	987	86	99	8	56	4	2	-
20.	South Berkeley	2616		2498	95	826	33	1672	67	1488	1063	71	269	18	149	10	7	-

TABLE 6
CONDITION SURVEY PROBLEM AREAS

	Hills	North/Central	South/West	Campus
1. Foundations & Ventilation		X	X	
a. SFR		X	X	
b. 2-3 Family Units			X	
c. 4-9 Family Units				
d. 10 Family & Over				
2. Plumbing & Mechanical				
a. SFR				
b. 2-3 Family				
c. 4-9 Family	X		X	
d. 10 Family & Over				
3. Electrical		X	X	X
a. SFR		X	X	X
b. 2-3 Family		X	X	X
c. 4-9 Family				X
d. 10 Family & Over				
4. Major Remodeling				
4-0 Family Units	X	X		X

TABLE 7

MASTER PLAN STUDY PROBLEM AREAS

	WEST BERKELEY	WESTBRAE-NOBBS	COW HOLLOW	NORTH BERKELEY	THOUSAND OAKS	HILL	HILLSIDE	NORTHGATE	DOWNTOWN	SOUTH CAMPUS	CLAREMONT-ELMWOOD	WILLARD PARK	BATEMAN	LE CONTE	SAVO ISLAND	FLATLANDS	McGEE	SUDS	SAN PABLO	SOUTH BERKELEY-MODEL CITIES AREA
1. Age of Housing			X		X	X		X												
2. Persons per Room	X								X						X		X	X	X	X
3. Rent as a Percentage of Income				X				X	X	X		X	X	X	X	X				
4. Houses Sold	X						X										X		X	X
5. Sales with Conv. Financing	X																			X
6. Housing Value	X	X														X	X	X	X	X
7. Mean Annual Income	X							X	X	X		X	X	X	X	X	X	X		X
8. Population 62 years old and over			X		X		X				X		X			X		X	X	
9. Disabled		X						X									X	X	X	X
	5	2	2	2	2	1	2	4	3	2	2	2	3	2	3	4	5	5	5	6

CHAPTER FOUR
PROPOSED HOUSING CONSERVATION
GOALS AND POLICIES

INTRODUCTION

Housing conservation should not be limited to physical rehabilitation alone, but should include a total range of activities designed to improve neighborhood environments and provide related services to residents and owners.

The following goals and policies establish a framework for implementing a City-wide conservation program. They represent a compilation of suggested policies and ideas from various citizens groups and housing documents. Sources of the policies include:

- Immediate Action Subcommittee of the Housing Committee of the Planning Commission (IAS of Hsg Com);
- Housing Policy of the Housing Element (Hsg Element);
- Ilona Hancock's Housing Rehabilitation Program (LHP);
- Residential Rental Inspection Program (RRI);
- Community Development Block Grant Application and Housing Assistance Plan (CDRS);
- Pilot Program for Residential Rehabilitation Finance Assistance (PPFA); and
- Housing Conservation Task Force and Staff Committee comments.

Reference to the source(s) is made where applicable. The goals describe the community which Berkeley is striving to become. Policies indicate the direction in which government should be moving to reach these goals.¹

¹ Housing Policy, Housing Element

PROPOSED HOUSING CONSERVATION
GOALS AND POLICIES

- GOAL ONE Berkeley Residents Should Be Insured The Availability of Decent Standard
Housing In Pleasant Neighborhoods At An Affordable Cost
- GOAL TWO The City Should Promote Both Direct And Indirect Actions To Upgrade, Main-
tain, And Augment The Housing Stock
- GOAL THREE Berkeley Should Have A Housing Conservation Effort Capable of Addressing
The Needs Of All Residents
- GOAL FOUR Berkeley Residents Should Be Provided Supportive Housing Services

BERKELEY RESIDENTS SHOULD BE INSURED THE AVAILABILITY OF DECENT STANDARD HOUSING IN PLEASANT
NEIGHBORHOODS AT AN AFFORDABLE COST

Berkeley, because of its central locale between San Francisco and the other Bay Area cities, its view of the San Francisco Bay and easy accessibility by public and private transportation, is a desirous residential area. With the majority of its housing being built prior to 1925, the City's neighborhoods are characterized by the rich architectural designs which flourished during those eras. To date, limited Federal and municipal efforts have been instituted to preserve Berkeley's neighborhood characteristics and housing stock. Such efforts should be expanded to insure Berkeley residents affordable, decent housing in pleasant environments.

Commentary

Insuring the availability of decent, standard, affordable housing in pleasant neighborhoods can only be obtained through programs which address the many facets of conservation. Such programs must integrate technical and financial assistance as well as the provision of housing services and public improvements (Hsg Element, IAS).

B. Promote a comprehensive approach to conservation of neighborhoods.

The primary objective of all conservation efforts should be to conserve the whole neighborhood. Through a total approach to conservation, incipient problems which could result in recurring decline in neighborhoods will be alleviated, and the neighborhood's preservation insured.

C. Observe the following priorities for housing improvement within established program areas:

Although the conservation of whole neighborhoods is the primary objective, it is recognized that certain situations will arise where this is not possible.

- Correction of hazardous conditions;
- Correction of code deficiencies; and
- Performance of general property improvements.

Reduced housing construction and a low vacancy rate have increased the cost of housing in Berkeley, especially for low and moderate income households. Increased housing cost coupled with a decline in housing maintenance has resulted in a poorer quality of housing for a higher price. Actions must be taken to reverse the trend of deterioration of Berkeley's housing stock.

Policies

Commentary

- A. Aggressively seek moderate cost financing through public and private sources for the conservation program including development of housing (Hsg Element).

Rising interest rates and shortages of money for housing finance are inhibiting the ability of owners to make needed repairs and improvements (Hsg Element).

- B. Allow landlords as well as homeowners to be eligible for participation in City-financed conservation programs (IAS of Hsg Com).

A high percentage of Berkeley residents are renters and buildings in disrepair are believed concentrated in rental housing (IAS of Hsg Com).

- C. Provide owners assistance in identifying hazardous conditions, code violations and financing for repairs (LHP).

If owners are assisted in determining necessary repairs and are made knowledgeable of financing alternatives, they will be more inclined to correct deficiencies than

Policies

Commentary

if compliance is pursued through traditional code enforcement procedures.

D. Encourage the replacement of housing units through both new construction and making substandard units standard (IAS of Hsg Com/LHP).

Conservation activities will result in some losses of units that are not economically feasible for rehabilitation; replacement of such units will be necessary to maintain the overall supply of housing in the City.

E. Initiate actions to mitigate increases in property taxes generally associated with conservation of properties (PPFA).

Many owners are reluctant to make needed repairs to properties because they fear increased tax assessments. Actions should be taken to insure that such increases do not occur. Assistance should be provided to owners in appealing tax increases.

F. Endorse the concept of flexible code enforcement (RRI).

Allowances should be made for the deferral of code compliance in situations where hardship can be legitimately demonstrated and occupants are not in immediate danger (RRI).

G. Promote the enforcement of codes in such a manner that the number of low

Code enforcement, when it is performed mechanically, can harm residents economically and socially, and may

Policies

and moderate income units are maintained (RRI).

- H. Establish legal remedies and sanctions to induce compliance where it is not achieved voluntarily (RRI).

Commentary

actually reduce the number of low income units through wholesale rent increases or abandonment. Conversely, a failure to enforce codes will also result in a reduction of the low-income housing stock when the cost of repairs to severely dilapidated units makes it cheaper for landlords to board them up than fix them up (RRI).

A predetermined strategy is essential for disposing of cases where there is no claim of hardship, but the owner fails or refuses to comply. If this is not done, staff resources will be wasted in repetitious attempts to induce compliance and the credibility of conservation efforts will be seriously affected (RRI).

GOAL BERKELEY SHOULD HAVE A HOUSING CONSERVATION EFFORT CAPABLE OF ADDRESSING THE NEEDS OF ALL
THREE RESIDENTS

Berkeley has a unique population composition. There is a large student population, which has a transient housing need as compared to the special needs of the elderly, disabled, and poor. A diverse conservation effort, which is innovative and flexible, is essential in order to assist persons with special needs and insure that the overall objective of providing suitable housing is achieved.

Policies

Commentary

A. Develop safeguards to provide adequate protection to poor, elderly, physically disabled and minority renters (RRI).

Housing conservation programs should not lead to a reduction in the supply of housing which poor, elderly, physically disabled and minority people can afford. People living in substandard housing (probably with the lowest incomes), should suffer no financial burdens from a program of upgrading (LHP).

B. Housing conservation must take into account the concerns of both tenants and financially distressed owners (RRI).

Generally residents of hazardous housing live there because they can not afford the cost of better units. The purpose of a conservation program should be to repair housing without further burdening or forcing out Berkeley's residents (LHP).

Policies

- C. Attempt to involve all rental housing in conservation programs (LHP).
- D. Provide careful coordination of the various programmatic activities so as to minimize costs, improve responsiveness to citizens' needs, avoid duplications, and effectively deliver services.

Commentary

Tenants, largely unable for a variety of reasons to make their own repairs, should be protected from dangerous housing (LHP).

Lack of coordination of existing services has inhibited the effectiveness of service delivery and responsiveness to citizen needs.

GOAL BERKELEY RESIDENTS SHOULD BE PROVIDED SUPPORTIVE HOUSING SERVICES
FOUR

Conservation is not limited to just housing rehabilitation but encompasses such activities as financing mechanisms, capital improvements and housing related services. Problems which can not be resolved or prevented from recurring by conserving the property will be encountered. The City should be able to provide residents assistance in obtaining other services.

Policies

Commentary

A. Establish effective working relationships with community agencies involved in housing (CDRS).

Citizens can be provided supportive and referral assistance from community agencies working with the City.

B. Develop a system of effective delivery of direct housing services including information and referral services (CDRS).

At present, there is no centralized source to which citizens can turn for information regarding housing services provided by the private sector and City Government.

C. Encourage activities which further housing and community maintenance and which increase the ability of residents to manage their housing economically (Hsg Element).

Mechanisms for instructing residents on how to shop for a house, how to do minor maintenance repair, and how to use effective but uncomplicated management practices would increase the lasting effects of a conservation program.

Policies

Commentary

- D. Encourage private neighborhood improvement efforts (IAS of Hsg Com).
- E. Promote preventive and continuing maintenance programs for homeowners, landlords, and tenants (IAS of Hsg Com).
- F. Provide relocation payments and services to persons whose housing is to be replaced or repaired. Temporary relocation assistance should be available to residents of housing undergoing repairs which seriously interfere with their day-to-day living (IAS of Hsg Com).

In addition to designated program areas, the City should assist residents throughout the City in planning and undertaking their own conservation activities.

Once conservation activities within an area are completed residents should be provided assistance in maintaining their properties to prevent the need for additional expenditures. Residents should be provided training in various aspects of continuing and preventive maintenance.

Undue hardship to residents of properties participating in conservation programs can be alleviated by providing a total range of relocation assistance (IAS of Hsg Com). Relocation payments should be used as a positive tool to help alleviate substandard housing conditions (CDRS).

CHAPTER FIVE

HOUSING CONSERVATION PROGRAM

I. INTRODUCTION

The Housing Conservation Program is one of Seven components of a Comprehensive Housing Conservation Report that was mandated and funded by the Berkeley City Council in January of 1974. The Program should be viewed as a general planning document which will provide the programmatic framework for the newly established Housing and Development Department. Additionally, the Housing Conservation Program incorporates and builds upon existing and planned City conservation efforts and defines new, innovative program approaches which the City should utilize. The core of the first year Program is the City's approved Community Development Housing Program, the Pilot Rehabilitation Program, and the City's existing codes program.

In adopting its Housing Conservation Policy, the City Council specified that:

"...housing conservation is meant to include those governmental actions required to maintain the existing housing stock and the City's residential areas in good condition over time. Such actions may include programs to finance housing maintenance and repair through loans and subsidies; actions to foster the construction of replacement housing and/or relocation housing; provision of public improvements and services to residential areas; and, programs to encourage and promote private investment in home maintenance and improvement, including efforts to mitigate the effects of barriers to such investment."

From this general framework, a Housing Conservation Program has been defined in terms of the following broad program elements: municipal loan, codes inspection and compliance, housing rehabilitation, replacement housing, relocation services, preventive maintenance, architectural and historic preservation, public improvements and services, and housing services. For each element, one, three, and five year objectives are defined and projects to facilitate achievement of those objectives are identified and described. Unless specified, all projects are proposed for operation for the entire five year time frame. Suggested programmatic policies of the Housing Committee and implied programmatic policies contained in Councilmember Hancock's proposal are reflected in the Housing Conservation Program, as well as in the other sections of the Report.

The components of the Housing Conservation Program recognize the need for varying approaches to conservation to address the differences in neighborhood development and housing stock type and condition. Additionally, they take cognizance of the need for leveraging mechanisms to achieve Citywide housing conservation. Housing is a priority issue in Berkeley as evidenced by the allocation of more than fifty percent of Community Development Block Grant funds to housing programs, by the creation of the Housing and Development Department, and by the above mentioned Housing Conservation Policy. Moreover, citizens and public officials acknowledge the existing housing stock to be the City's greatest housing resource. The Housing Conservation Program is a product of that recognition and reflects the concerns of citizens as well as concerns of public officials.

II. ASSUMPTIONS

The Housing Conservation Program has been developed under the following assumptions:

- Berkeley City Government is committed to implementation of a Housing Conservation Program and will provide financial support for such a program;
- Berkeley will continue to receive Community Development Block Grant funds for the next five (5) years;
- A significant portion of the City's future Community Development Block Grant funds will be allocated to housing conservation and related programs;
- A State Housing Finance Agency will be established and will provide funding for conservation efforts by local jurisdictions; and,
- The City will be in a position to leverage public funds in the private sector to help finance housing rehabilitation and conservation.

III. MUNICIPAL LOAN ELEMENT

Paramount to implementing an effective viable conservation effort will be the development of a flexible financing mechanism which has a capability for addressing the multiplicity of finance-related issues inherent in housing conservation. The loan mechanism should utilize to the fullest extent possible, methods for leveraging existing, source funds to facilitate wide scale rehabilitation and reduce dependency upon external funding sources. Additionally, it should produce a multiplier effect of increased investment in conservation areas by private lending institutions.

A. ONE-YEAR OBJECTIVES

- To develop an expanded financing mechanism comprised of individual fund accounts for loans in conjunction with specific conservation program components;
- To begin an in depth exploration of the advantages and disadvantages of alternative leveraging mechanisms; and,
- To assess, modify and improve upon existing municipal loan vehicles.

B. THREE-YEAR OBJECTIVES

- To assess the effectiveness of the expanded municipal loan mechanism and make modifications and changes as needed;

- To develop and test financing vehicles which will reduce the City's dependency upon outside funding sources for direct funding of rehabilitation efforts; and
- To determine the effectiveness of alternative financing mechanisms in leveraging available funds at a ratio of approximately ten to one.

C. FIVE-YEAR OBJECTIVES

- To reassess, refine and have fully operational, a flexible financing mechanism with a capability for effectively addressing financing needs related to housing conservation, including leveraging of available resources and reducing dependency upon external funding sources.

D. CURRENT MUNICIPAL LOAN PROGRAM

The City's current Municipal Loan Program has the following principal characteristics:

- it is designated for use only in conjunction with the Pilot Rehabilitation Program,
- it provides for a sliding interest rate from one percent to market rate depending upon the financial capabilities of the loan recipient,
- it is designed to provide "nonbankable loans," i.e., loans for owners unable to obtain loans through private lending institutions,

- only structures which have four units or less qualify for the program,
- it has a maximum amount of \$10,000 per unit and a maximum loan of \$15,000,
- loans are for a maximum of twenty years,
- there are no grants provided by the program. In special hardship cases, a deferred loan may be awarded with the applicant paying only Five Dollars (\$5) per month,
- although absentee owners are eligible, they may receive loans for correction of code violations only,
- absentee owners may not pass on to renters any more than interest increases attributable to the loan prorated over the period of the loan and tax increases,
- the loan represents a lien against the property and must be paid in full upon sale or transfer of the property,
- the source of funds for the current program is \$550,000 from the City's General Fund.
- in order to test the feasibility of augmenting the funds for future adaptations of the program:
 - there will be an attempt to balance the portfolio at 6.5 percent, the City's current borrowing rate. If this attempt is successful, it will indicate that in the future the City

could borrow money for this purpose and except for administrative and default costs the program would pay for itself. Also, the higher the portfolio is balanced, the less difficult it would be to sell it on a secondary market to generate additional funds,

-there is a prepayment bonus provision, which would provide an incentive for owners to pay back early, thereby increasing the amount available for loans.

- there is a five-person advisory committee, the Housing Rehabilitation Loan Committee, to the program. This committee is composed of two members of the financial community, two members of South and West Berkeley, and the City Director of Finance. It is advisory to the City Council and it reviews and approves applications.

E. EXPANDED MUNICIPAL LOAN PROGRAM FOR COMMUNITY DEVELOPMENT

The Expanded Municipal Loan Program as developed for the application for Community Development Block Grant funds builds upon the program as described above. It will utilize the basic mechanisms developed for the current program, such as the Housing Rehabilitation Loan Committee, the disbursement of checks to contractors by use of title insurance company services, and collection of loan payments through an established City relationship with a bank.

The expanded program will be different from the existing program in two essential ways:

- It will have as its source of funds the Community Development Block Grant;
- It will provide nonbankable loans for a number of City programs designed to conserve the housing stock rather than just the one Pilot Rehabilitation Program. The programs included in the Community Development application which will utilize the Expanded Municipal Loan Program as source of monies for rehabilitation are:

<u>Program</u>	<u>Municipal Loan Fund Amount</u>	<u>Estimate No. of Loans</u>
Neighborhood Rehabilitation Inspection Program	\$325,000	50
Emergency Repair Program	\$100,000	40
Physically Disabled and Seniors' Housing Rehabilitation Program	\$200,000	20

In expanding the current loan program it will be necessary to modify the current Municipal Loan Guidelines so that the requirements will be consistent with the goals of each program it will serve. For instance, the sliding interest rate may be infeasible for the Physically Disabled and Seniors' Program and a lower maximum loan is probably indicated for the Emergency Repair Program.

As currently envisioned the Expanded Municipal Loan Program will have its project leader located within the Administrative Services arm of the new Housing and Development Department. The Community Development plan includes \$71,700 for administration of the program. The major initial responsibilities of the Project Coordinator

will relate to both the current and proposed General Fund and Community Development funded Municipal Loan Program and will include:

- developing the modified guidelines and procedures for the use of the Municipal Loan Program by the Community Development projects;
- in conjunction with the Finance Department and Bank, developing an effective default program including counseling and, perhaps, a default insurance program funded through premiums collected with the loan;
- monitoring the entire Municipal Loan Program, making sure that staff at the project offices are trained, procedures are followed, documentation is complete, and records are properly maintained; and
- acting as staff to the Housing Rehabilitation Loan Committee.

The other major area of responsibility for the Municipal Loan Program Coordinator will be to work with the Program Planning Division of the Housing and Development Department on expanding the program for use in conjunction with all conservation activities and, very importantly, to get into actual operation mechanisms for funding the program through sources other than the direct use of the General Fund and Community Development monies.

F. POTENTIAL SOURCES FOR FUNDING AN EXPANDED MUNICIPAL LOAN PROGRAM

Before discussing the potential sources for funding an expanded

Municipal Loan Program, the types of costs requiring funding should be identified. There are three such major costs:

- the cost of administering the program,
- if the loan money is borrowed and then loaned out at a lower rate, the difference between those two amounts,
- the cost of defaults.

Aside from the above costs there is the major problem of amassing enough capital to have available a continuous source of money to loan to owners participating in rehabilitation. The exploration of sources other than the direct use of General Fund and/or Community Development monies for rehabilitation loans is warranted because:

- the competing demands for other uses of these monies are great; and
- these sources could not provide enough capital to support a very large program.

Interviews and research have uncovered a number of potential additional sources of funds, some of which are more real possibilities than others. The major potential sources are:

- use of a secondary market;
- use of the City's Pension Fund;
- direct borrowing;
- the City floating bonds under the Marks-Foran Bill;
- the Redevelopment Agency floating bonds either under the Marks-Foran Bill or by using tax increment financing;

- use of financing to be made available under Assembly Bill #1 (Chacon-Moscone-Zenovich Housing and Home Finance Act) which should be soon signed by the Governor.

Each of these possibilities is discussed briefly below.

SECONDARY MARKET

A secondary market is a source which is willing to buy a "portfolio" of loans which have already been given out by a lender, in this case, the City. The portfolio is sold at a negotiated yield rate for the secondary lender which may not be the same rate for which the loans were originally drawn. The purpose of utilizing a secondary market is to generate additional capital for relending.

Two major secondary market sources are insurance companies and employee pension funds. The Federal National Mortgage Corporation (Fannie-May) was set up by the Federal Government to buy FHA-insured mortgages and the Federal Home Loan Mortgage Corporation was recently (1970) established principally to buy mortgage portfolios from savings and loan associations. The Urban Reinvestment Task Force (a joint effort by HUD and the Federal Home Loan Bank Board) is planning to set up a secondary market for the Neighborhood Housing Service projects; however, they are several years away from having established a solid secondary market for those projects.

Interviews have revealed that private lenders are having a hard time finding secondary markets for sound loan portfolios and that it would be very difficult to find a secondary market for a "charitable loan" (non-bankable loan) portfolio. Pursuit of insurance

companies and insurance funds should not be entirely ruled out, however. Also, there is some sentiment among bankers that at a future date HUD and the Federal Home Loan Bank Board will recognize the need to provide a secondary market for rehabilitation loans and will set up a mechanism for doing so. At that point, the City's portfolio would have had time to "season," would be more substantial, and therefore easier to sell. As mentioned earlier, maintaining a high enough average interest rate will also be necessary in order to seriously consider this avenue of generating additional capital.

PENSION FUND

The use of the City's Pension Fund as a secondary market for rehabilitation loans is a possible alternative. The argument could be made that it would be very logical for Pension Fund monies to be invested in mortgages. However, it should also be noted that the capital available through the City's Pension Fund is limited (approximately \$5 million), being reduced, and not capable of further expansion.

DIRECT BORROWING

Money could be borrowed directly from a lending institution. This method would require providing some collateral, probably Community Development funds. The Bank of America handles this process by setting up a trustee. The City borrows a certain amount of money,

draws down as much as it will use in a certain period of time, and the trustee invests the remainder on behalf of the City so that the interest being charged on the borrowed money is offset.

An advantage of this approach would be that the City could pass on to owners the advantage of its municipal borrowing rate (currently 6.5 percent). In addition to banks, other direct sources which could be pursued are the University pension fund, county pension funds, and credit unions.

CITY FLOATING BONDS

The recently passed Marks-Foran Bill allows public entities to issue revenue bonds in order to raise capital to provide low interest loans for rehabilitation. The act originally raised three legal issues:

- whether or not the provision of loans would violate state laws prohibiting the lending of public monies to private persons,
- whether or not the bonds would be valid revenue bonds, which do not require a vote of the electorate,
- whether such a project could be considered a "low-rent housing project" requiring a vote of the electorate.

In connection with San Francisco's Residential Assistance Program (RAP), these legal issues were tested in court. On February 11, 1975 the San Francisco Court of Appeals ruled that with respect

to the RAP Program these legal issues were not impediments and that the City could proceed to issue the bonds.

Indications are that for floating bonds for this purpose:

- the rehabilitation loans should be secured by a deed of trust;
- a reserve fund maintained at approximately twice the yearly debt service or one-tenth of the borrowed amount would be required. The purpose of this would be to pay the bond issuer agency any payment not made by the mortgagor. The source would probably be Community Development funds;
- initial contact with one bond house in New York indicated that still a third security mechanism would be required. The suggestion of that bond house was a first lien on additional Community Development funds to make up any deficiencies resulting from defaults.

A consideration in pursuing the bond-floating method of raising capital is the City's limitations on floating bonds. The City has a current capacity of between \$50 and \$60 million bond floating capacity.

A decision between borrowing directly and floating bonds would of necessity take into account:

- the total amount of money to be borrowed. It would probably be possible to find a single lender willing to loan \$5 million, but \$50 million would be more than a single lender would be willing to commit;

- the fact that the underwriting fees for negotiating with a single lender would be less than those associated with floating bonds;
- the fact that the rates of a single lender would probably be comparable to those of a bond issue;
- the fact that the qualification requirements would be the same for both sources; i.e., the City's credit standing, the source of revenue, and the order of repayment (short, intermediary, or long-term; with short being one to two years, intermediary being two to five years, and long-term being five or more years).

REDEVELOPMENT AGENCY FLOATING BONDS

Redevelopment Agency staff have made informal contacts with the City indicating an interest in utilizing its bond floating capacity either under the Marks-Foran Bill or by using tax increment financing to raise capital for rehabilitation loans. An advantage of this approach is that the Redevelopment Agency is not by law limited in the dollar amount of bonds it may float. There are several potential disadvantages, including the necessity for the City to use an outside entity to raise capital for its rehabilitation programs, the fact that tax increment financing requires large renewal efforts to support it, and the fact that tax increment financing siphons off tax monies which would otherwise be used for other purposes.

STATE HOUSING AND HOME FINANCE ACT

The Chacone-Moscone-Zenovich Bill has not yet become law; however, it promises to provide money to localities for rehabilitation programs. Because it is such a wide-sweeping bill and is moving the State into an area which is entirely new to it, the details are not refined and it will be some time before it is clear in what specific ways the Act will be useful. This potential source, however, should be watched closely.

All of the above assumes that the City will run its own program of providing non-bankable loans coupled with a full range of services while working closely with private lending institutions and encouraging them to provide bankable loans. Two approaches to rehabilitation which differ from this are loan guarantee and interest subsidy programs. With such programs, the City would not have as much direct control over assuring a service-coordinated and oriented program.

The above description of potential sources of funds for expanding the Municipal Loan Program is meant to lay out in a preliminary way alternative avenues of approaching the problem. A great deal of additional detailed work will be required during the first Community Development year in order to get into operation at least one of the alternatives.

IV. CODES INSPECTION AND COMPLIANCE ELEMENT

Codes inspection and compliance can be an effective and positive mechanism for achieving conservation of the housing stock. In light of the fact that two-thirds of the City's housing units are renter-occupied, it becomes incumbent upon City Government to develop approaches to code inspection and compliance to facilitate conservation without causing undue hardship to tenants and landlords. This responsibility implies a de-emphasis of the policing power inherent in code enforcement and focusing on a service oriented approach to compliance with stringent enforcement mechanisms for those who can afford to comply but refuse. It also implies development of clear, concise operating procedures which define the role and responsibilities of program staff, as well as the rights and responsibilities of tenants and landlords. Finally, it infers that the City will play a direct assistance role with respect to achievement of compliance.

The Codes Inspection and Compliance Element will focus on renter occupied structures for the first five years. Coordination with service and financial assistance programs is an integral part of the program approach.

A. ONE-YEAR OBJECTIVES

- To define inspection districts within the City based on distribution of multi-unit, residential structures;
- To establish a data base based upon statistical survey samples;

- To commence implementation of a demonstration inspection and compliance project, to include provision of financial assistance to facilitate compliance;
- To provide municipal support to facilitate prompt remedy of immediately hazardous conditions identified throughout the City;
- To systematize the existing codes complaint process; and
- To develop appeals, notification and legal remedy mechanisms to facilitate compliance.

B. THREE-YEAR OBJECTIVES

- To inspect and identify code conditions in multi-unit, residential structures;
- To ascertain the scope of municipal financial involvement needed to achieve correction of various levels of code conditions.
- To implement an efficient and effective notification, appeals and legal remedy system; and
- To develop a capability for addressing emergency situations on a Citywide basis.

C. FIVE-YEAR OBJECTIVES

- To implement a comprehensive, Citywide codes inspection and compliance system which includes the components necessary to achieve prompt remedy of code violations, without causing undue hardship to tenants and landlords and

provides coordination with financial assistance and housing services.

D. RESIDENTIAL RENTAL INSPECTION

The Residential Rental Inspection project will establish a City-wide comprehensive codes inspection and compliance system, including an appeals mechanism, coordination with training and housing service programs, and compliance timetables. The project will operate within a framework of aiming for maximum compliance while minimizing financial hardship to tenants and landlords. The system will be implemented in phases over a period of five years.

Phase I - Will be identification of structure conditions, correction of immediately hazardous conditions in multi-unit residential structures, and standardizing the present compliance system;

Phase II - Will focus on identification of rental single family and duplex structures and correction of incipiently hazardous conditions in multi-unit residential structures.

Phase III - Will involve implementation of a Citywide codes inspection and compliance system with mechanisms to mitigate rent increases; to avoid causing financial hardship to owners or tenants as a result of code repairs; and, to effectively achieve compliance by recalcitrant as well as cooperative owners.

The City will be divided into inspection districts, the size of which will be determined by the concentration of multi-unit

residential structures. The higher the concentration of such structures the smaller a district will be, and vice versa. Priority for determining in which districts systematic inspection should commence first will be based on data ascertained through the City's current residential inspection operation. This data can give a broad view of which sections of the City have the greatest need for inspection and thorough data maintenance on multiples. The existing inspection operation will be phased out in those districts in which systematic inspection commences.

Utilizing defined reinspection timetables, properties will be inspected and classified according to structure condition, taking into consideration the property owner's ability to make repairs and the tenants' ability to pay. Conditions will be categorized according to immediately hazardous, incipiently hazardous, non-hazardous code work required, rehabilitation recommendations, and no work needed. For these categories the following reinspection timetables will apply:

- 5-year reinspection - properties requiring no work;
- 3-year reinspection - properties with no code violations but rehabilitation work is recommended to achieve conservation;
- 1-year reinspection - properties containing non-hazardous code conditions, or incipiently hazardous conditions.

Mutually agreed upon compliance schedules will be established for these cases based on the owners' ability to make repairs, the tenants' ability pay, and the availability of funds.

- 15-day reinspection -- properties containing immediately hazardous conditions. Compliance schedules will be established and mutually agreed upon by the owner and staff, but work will have to commence within 15 days and progress inspections will be scheduled for every 15 days. Once compliance is achieved, these properties will be classified for one or three year inspections as warranted by the condition of the structure.

For those cases which fall within the 1-year and 15-day reinspection categories and are identified as hardship cases, financial assistance will be available through the Emergency Repair Project and/or Neighborhood Rehabilitation Project.

To effectively achieve compliance in those cases falling within those same two reinspection categories but involving owners who can afford to make repairs but simply refuse to, stern compliance mechanisms will be instituted and utilized. Examples of possible alternatives are: revoking certificates of occupancy and licenses; enforcing State law AB 475 which provides for suspension of standard state tax deductions; and, the City having the repairs made and placing a tax lien on the property to ensure repayment.

Tenants will be sent a copy of the Notice of Violation at the same time the owner is notified. Moreover, tenants will also be notified when code violations have been corrected.

Only those owners of multi-unit residential structures who are

unable to obtain conventional financing for repairs and who are willing to enter into an agreement with the City not to increase rents and related charges more than the loan interest and increased property taxes resulting from rehabilitation will be eligible for municipal loans.

Suggested priorities for allocation of loan funds are as follows:

- first priority to owner-occupants whose properties contain immediately hazardous and incipiently hazardous conditions;
- second priority to absentee-owners of properties containing immediately hazardous and incipiently hazardous conditions;
- third priority to owner-occupants of multi-unit residential properties with code violations, but no hazardous conditions;
- fourth priority to absentee-owners of properties with code violations who are willing to make no rent increases at all for at least one year, and subsequently only increases attributable to the loan as indicated above; and
- fifth priority to absentee-owners of structures with code violations who agree to make only those increases attributable to the loan as stated above.

A standardized reporting system will be developed to ensure uniformity of data collected for input into the Department's housing information system.

E. NEIGHBORHOOD REHABILITATION INSPECTION

This project was funded through the Community Development Block Grant and will establish a small demonstration district within one of the larger inspection districts discussed in the Residential Rental Inspection Project. It will be a three-year project designed to test the City's ability to implement systematic codes inspection and compliance, utilizing a service approach to compliance. Appeals, notification, and complaint procedures, as well as application of defined hardship criteria, developed in conjunction with the Residential Rental Inspection Project, will also be tested.

The designated demonstration district will contain a mix of structure types comprised primarily of four or more units. Structures identified as having immediately hazardous and incipiently hazardous conditions will be the target of the project. Priority for designating the demonstration district will be based on the data findings discussed in Chapter Three.

Only those owners who are unable to obtain conventional financing and who are willing to enter into an agreement with the City not to increase rents more than an amount necessary to cover the cost of loan interest and increased taxes, will be eligible for a municipal loan. The following criteria are suggested for allocation of municipal loan funds:

- First priority will be accorded owners of properties containing hazardous conditions. Within this category the following priorities will apply:

- first priority will go to cases in which the owner lives on the property and the majority of the units are rented to lower or very low income families as defined by the Section 8 Program;
- second priority will go to absentee-owners of properties in which the majority of the units are rented to lower or very low income families;
- third priority will go to owner-occupants of properties in which the majority of units are not rented to lower or very low income families; and
- fourth priority will go to absentee-owners in which the majority of the units are not rented to lower or very low income families.

* Second priority will be accorded owners of properties containing non-hazardous code conditions. Within this category the same subset of priorities as indicated above will apply; and

* Third priority will be accorded owners of properties with rehabilitation recommendations with the same subset of priorities as indicated above being applied.

A variable interest rate approach will be used in assigning interest rates to loans. This approach will provide the flexibility needed to take into consideration the various factors which could account for an owner being unable to obtain conventional financing. An owner who is refused conventional financing because his credit report indicates consistently late payments, shouldn't receive the

same interest rate as one who is refused a conventional loan because income generated by the property is insufficient to amortize additional indebtedness.

Prior to implementation, detailed loan guidelines, and procedures for implementing the guidelines will be developed.

An adjunct to this project will be a concerted effort on the part of City staff to assist owners in obtaining Section 8 rent subsidy commitments from HUD and/or assist tenants to obtain Certificates of Family Participation through the Section 8 existing program.

Another service component of the program will be assessment of public services in the district and provision of some public improvements. This activity will be initiated during the first phase of implementation.

F. EMERGENCY REPAIR FUND

The Emergency Repair Fund was one of the components of the Community Development Housing Program approved for funding during the first year. The purpose of the Fund is to provide the City with a flexible mechanism for addressing emergency situations involving immediately hazardous conditions which are discovered through the City's conservation efforts. The Fund will serve as a complement to the Residential Rental Inspection, including the City's ongoing residential complaint process, Neighborhood Rehabilitation Inspection, Physically Disabled and Seniors' Housing Rehabilitation,

Pilot Rehabilitation, Landmarks Preservation, and Neighborhood Housing Rehabilitation projects. It is viewed as a necessary and important tool for stemming rapid deterioration of the housing stock.

The Fund will be utilized Citywide and will remedy immediately hazardous conditions in cases where owners refuse to make repairs, as well as in cases where owners are willing to make repairs but are unable to do so due to financial hardship. For the latter cases, loans will be provided. In cases involving recalcitrant owners who can afford to pay, the City will cause the repairs to be made and place a tax lien on the property taxes to insure early repayment. These two types of cases would most often be encountered by staff involved in the Residential Rental Inspection, Neighborhood Rehabilitation Inspection, the complaint process, and possibly Landmarks Preservation projects.

A different kind of situation might be encountered through the Pilot Rehabilitation, Physically Disabled and Seniors' Housing Rehabilitation, and Neighborhood Housing Rehabilitation projects. This is most likely to be a case in which the owner qualifies for a municipal loan, plans to correct code violations and make general property improvements, but there are immediately hazardous conditions on the property which must be corrected before the loan is approved and granted, and the owner is financially unable to make the repairs. In this instance, a loan would be made from the Emergency Repair Fund to correct the immediately hazardous conditions and computed as a part of the total rehabilitation loan.

Once the rehabilitation loan is granted, the Emergency Repair Fund would be reimbursed and the money would be available for additional loans.

Municipal loan guidelines and procedures will be developed prior to implementation. Additional planning activities include defining the meaning of hardship with respect to landlords, developing procedures for causing repairs to be made, and developing notification and appeals procedures.

V. HOUSING REHABILITATION ELEMENT

Better than ninety percent of Berkeley's residential structures are comprised of one to four units. While this category by no means represents how or where most Berkeley residents live, it does provide an indication of the residential development system of the City. The majority of Berkeley's residential neighborhoods are low density with older housing stock and utility infra-structure. While much of the housing stock is in good repair, a significant amount, particularly in the West Berkeley, South Berkeley and Flatlands areas of the City, are in need of extensive repair. A conservation approach directed at a total upgrading of neighborhoods, including public improvements and institution of continuing maintenance plans as well as rehabilitation of residential structures, is needed.

A. ONE-YEAR OBJECTIVES

- Provide direct financial assistance for rehabilitation of fifty (50) properties and technical assistance in securing bankable loans of one hundred (100) properties in the target areas of the Pilot Rehabilitation Project.
- Translate experience gained in the Pilot Rehabilitation Project into a viable rehabilitation approach for conservation of low density areas of the City.
- Provide direct financial and technical assistance for rehabilitation of twenty (20) properties owned by the elderly and/or physically disabled.

- Develop construction expertise in two teams of construction trainees to augment the Pilot Rehabilitation and Physically Disabled and Seniors' Housing Rehabilitation projects.

B. THREE-YEAR OBJECTIVES

- Implement a Neighborhood Housing Rehabilitation Project which builds upon the experience gained in the Pilot Rehabilitation Project, and which has a capability for rehabing one hundred (100) properties annually.
- Expanding the Rehabilitation component for the elderly and physically disabled to accommodate rehabilitation of fifty (50) properties annually.

C. FIVE-YEAR OBJECTIVES

- Implement a full scale housing rehabilitation approach which can rehabilitate two hundred (200) properties annually through direct financial assistance and generate rehabilitation through private financing for an additional two hundred properties.

D. PILOT REHABILITATION PROJECT

This is a demonstration rehabilitation effort designed to physically upgrade three pilot areas, approximately three blocks each, containing a total of approximately three hundred fifty (350)

properties. The areas are low density residential, with predominantly single family structures and some two-to-four unit structures. The conceptual framework of the project is based on a voluntary approach to rehabilitation. Within that context, the project is designed to test the following concepts: the ability to generate private lending institution interest in areas they have formerly avoided and encourage them to make bankable loans to qualified residents; the feasibility of mitigating rent and tax increases; the ability of the City to use its Municipal Loan Program in order to make high risk loans and develop a portfolio with an average yield equal to the City's borrowing rate; and, the ability to have a high level of community participation in a conservation program.

Through the Municipal Loan Program, loans are provided property owners who are unable to obtain conventional financing to make rehabilitation repairs.

Services offered by the program include: property surveys and work write-ups with cost estimates; preparation of plans and specifications; preparation of bid documents and bid solicitation and evaluation; contract and work progress monitoring; and recordation of appropriate documents. Staff assistance is accorded property owners receiving bankable loans as well as owners qualifying for municipal loans.

Funds from the Community Development Block Grant have been allocated for provision of public improvements and street beautification.

The Neighborhood Improvement Committees are developing an improvements plan for each area.

The Neighborhood Improvement Committees (NIC) are the community participation vehicle for the project. Each area has an NIC which plays an important role with respect to informing residents and property owners in the areas of the program and enlisting their participation; periodic review of the conduct and progress of the program; and, proposing policies and guidelines for loan application approval. Staff assistance is provided the Neighborhood Improvement Committees in carrying out these functions.

The Pilot Rehabilitation Project is designed to give the City the programmatic and operational experience necessary for implementing a comprehensive, Citywide housing rehabilitation effort.

E. PHYSICALLY DISABLED AND SENIORS' HOUSING REHABILITATION

Many of Berkeley's low income poor residents are elderly and/or physically disabled, residing in older, deteriorating housing in physically declining areas of the City. Because most of these residents are forced to live on nominal, fixed incomes, they are financially unable to properly maintain their properties. Deferred maintenance rapidly becomes code violations, which when allowed to go uncorrected create a need for renovation.

The Model Cities Rehabilitation Project began to address this situation by providing grants and loans to elderly residents in

the model neighborhood. However, limited funds and termination of the Program restricted the amount of progress made in tackling this problem. The Physically Disabled and Seniors' Housing Rehabilitation project will build upon the effort initiated by the Model Cities Program, and expand it to include the physically disabled. It will be, to the extent possible, a concentrated approach to rehabilitation. Technical staff assistance and direct financial assistance in the form of loans will be provided to participants to facilitate conservation of approximately 20 properties during the first year.

The maximum loan amount will be \$15,000, with a flexible interest rate, with a maximum loan term of twenty (20) years. Deferred payment loans, with a minimum monthly payment of five dollars (\$5) will also be extended.

Additionally, a myriad of services like those offered by the Pilot Program will be offered.

Priority for participation in the project will be accorded to those property owners who applied for assistance through the Model Cities Rehabilitation effort. Within this group, priority will be accorded as follows:

- First priority to owners of properties containing immediately and incipiently hazardous conditions;
- Second priority to owners of properties with code violations;
- and,

- third priority to owners of properties with only rehabilitation recommendations.

The Model Cities Project encountered several cases in which needed repairs were more extensive than the allowable loan maximum could cover. To address these situations, CETA construction training crews will be used to make repairs with only the cost of materials being paid out of the loan.

First year funding for this component has been provided out of the first year Community Development Block Grant. Loans will be granted through the Municipal Loan Program. Municipal Loan Guidelines and procedures will be developed prior to commencing implementation.

F. NEIGHBORHOOD HOUSING REHABILITATION

The Neighborhood Housing Rehabilitation project will address the need for upgrading the City's low density residential neighborhoods. It will utilize a concentrated rehabilitation approach and will focus on properties containing one to four units. The project will build upon the positive programmatic and operational experiences gained through the Pilot Rehabilitation Project. The Project will operate within the conceptual framework of varying interest rates for loans.

Target areas will be designated and area residents organized to develop a detailed plan. The plan will include provisions for public improvements as an integral part of project implementation.

Direct financial assistance will be provided through the Municipal Loan Program to those property owners unable to obtain conventional financing to make rehabilitation repairs. Staff services will be provided to owners receiving bankable loans as well as to those qualifying for municipal loans.

Priorities for allocating municipal loans will be:

- First priority to owners of properties with immediate and incipiently hazardous conditions;
- second priority to owners of properties with code violations;
and
- third priority to owners of properties with rehabilitation recommendations only.

Properties containing more than four units will receive loan assistance through the Emergency Repair or Residential Rental Inspection Funds of the Municipal Loan Program. They will be given high priority in the allocation of loans from those Funds.

The program will be developed and implemented over a three year timeframe.

Phase I - during the first year the following activities will be undertaken: refine program concept; Council approve program concept and designate target areas; organize residents into Neighborhood Improvement Committees, conduct demographic and services assessment; and develop the plan.

Phase II - during the second year, the City Council will adopt

the plan; funds will be allocated for the public improvements and services component and for staff to conduct property and financial surveys; the level of funding needed to implement the rehabilitation component would be determined; and the public improvements and services component would be implemented.

Phase III - third year activities will consist of obtaining funding for the rehabilitation component and commencing implementation of the rehabilitation component.

G. CONSTRUCTION TRAINING

Development of an ongoing construction apprenticeship training component to augment other rehabilitation projects is viewed as vital for achievement of conservation goals and objectives. Such a project would operate in conjunction with the Pilot Rehabilitation, Neighborhood Housing Rehabilitation, Neighborhood Rehabilitation Inspection, Physically Disabled and Seniors' Housing Rehabilitation, Landmarks Preservation, Residential Rental Inspection, and Emergency Repair Projects. The project will be used to leverage loan funds in cases in which repairs are too extensive for coverage by the maximum loan allowed, and in cases involving emergency repairs which the owner is not willing to make.

The existing City-operated construction training project is tied to CETA funds and consequently the requirements and guidelines of CETA. Significant here is the limitation placed on the length of time a trainee can remain in the project, thereby obviating the

possibility for extensive and graduated skills development.

The ongoing Construction Training Project will build and improve upon the positive features of the existing training project. It will provide skills development through classroom and on-the-job experiences, and will utilize the team approach to training. However, the team approach will be oriented to organization based on prior experience and level of skills development. This will facilitate allocation of job assignments according to the amount of expertise required to make the needed repairs.

Trainees will be tested and assigned to the appropriate team according to their level of expertise. A skills development program will be prepared for each trainee which will indicate the type of training required for his/her particular area of specialization, and the approximate time when each should be graduated to the next team. Training will be intensive and extensive. It will encompass cost estimating; reading of blueprints, plans and specifications; preparation of bids; understanding the building and housing code requirements and permits procedures; and development of skills in the trade specialties.

Graduates of the Construction Training Project could represent an available resource for staffing for other conservation projects. They could become Housing Inspectors, Rehabilitation Counselors, or work with private contractors.

The Project could also work in conjunction with the CETA

Construction Training Project to provide advanced training for trainees who must be terminated at the end of a year, but desire additional training.

VI. ARCHITECTURAL AND HISTORIC PRESERVATION ELEMENT

Berkeley has a rich heritage of architecturally and historically significant buildings. Some of these buildings have state and national significance as well as being landmarks of Berkeley's historical development. Preservation of these landmarks is tantamount to preservation of the historical integrity of the City's development.

The importance of and need for preserving historically significant landmarks was affirmed by the Federal Government with passage of the National Historic Preservation Act of 1966. This Act established the Advisory Council on Historic Preservation to advise the President and the Congress on matters concerning historic preservation. Berkeley City Government reaffirmed that recognition and its own commitment to historic preservation with the adoption of the Architectural Heritage Ordinance and appointment of the Landmarks Preservation Commission. However, if historic preservation is to be realized on a sizeable scale, it will be necessary to develop a program which defines the magnitude of the issue and identifies viable courses of action.

A. ONE-YEAR OBJECTIVES

- To develop an inventory of architecturally and historically significant landmarks and sites, including those landmarks and sites of state and national as well as local significance;
- To commence development of a landmarks preservation plan; and
- To obtain funding to conduct a survey of landmarks.

B. THREE-YEAR OBJECTIVES

- To develop a landmarks preservation plan for effectuating large scale preservation of landmarks and sites;
- To develop mechanisms to facilitate preservation without causing undue financial hardship to owners of landmarks.

C. FIVE-YEAR OBJECTIVES

- To implement a program to address a broad spectrum of issues related to historic preservation; and
- To develop mechanisms to ensure continued maintenance and preservation.

D. LANDMARKS PRESERVATION PROJECT

The Landmarks Preservation Project will address a number of issues related to preservation of architecturally and historically significant landmarks and sites. These include: How many and where are the landmarks, how much and in what form is financial assistance required to effectuate preservation, what role should the City play with respect to preservaton, and what are the alternative sources of funding?

The Landmarks Preservation Commission has begun compiling an inventory of significant landmarks and designated an initial list of nine structures. The final inventory should include state and national landmarks as well as those having local significance.

Once the final inventory is completed, a survey will be needed to determine the amount of restoration work needed to preserve the structures and the level of financial assistance required.

A reasonable assumption is that there are owners who financially cannot afford to make restoration repairs without some form of direct assistance. Additionally, there are probably owners who will refuse to make any attempt to restore landmarks, even though they can afford it. Both types of cases will have to be addressed. A revolving loan fund would provide the City with a capability for doing so.

Another avenue to facilitating landmarks preservation is through tax incentives. The State tax law has been amended to include Sections 50280-50289 of the Revenue and Taxation Code, enabling a community to grant tax relief to those owners of state and national landmarks. The City can opt to allow tax relief only to those owners who agree to make certain restoration repairs and subsequently maintain the structure.

An additional issue to be addressed by the project is the feasibility of revising housing and fire codes to make preservation feasible without jeopardizing fire, life or structural safety. Flexible housing and fire code standards would be developed for application only to designated landmarks. This approach has been used by the City of Santa Cruz in conjunction with its preservation program.

The approach to program development will include the following activities:

- Complete development of landmarks inventory and publish;
- Develop a landmarks preservation plan to include:
 - identification of significant architectural styles in Berkeley,
 - criteria for designation of landmarks,
 - available funding sources;
- Conduct a survey of designated landmarks;
- Ascertain cost of preservation and level of direct assistance needed from the City;
- Develop a program to effectuate preservation of landmarks, including criteria for assistance and procedures for program operation.

VII. REPLACEMENT HOUSING ELEMENT

A major goal of the City's housing conservation efforts is to upgrade the housing stock in order to maintain the level of the standard housing supply. However, there will be occasions when rehabilitation will not be economically feasible and demolition will be required. In order to maintain the level of the housing supply it will become necessary to replace those structures not feasible for rehabilitation. Concomitantly, it will be necessary to provide relocation housing for the occupants of structures to be demolished. At present, City Government has not developed and institutionalized effective mechanisms for meeting these two responsibilities.

A. ONE-YEAR OBJECTIVES

- To study the feasibility of alternative mechanisms for providing replacement housing; and
- To test alternative approaches to development of relocation housing.

B. THREE-YEAR OBJECTIVES

- To develop a viable effective mechanism for providing replacement housing; and
- To develop a plan for phased replacement of structures identified through other conservation efforts.

C. FIVE-YEAR OBJECTIVES

- To implement effective approaches to the development of replacement housing.

D. LAND BANKING FUND

A major impediment to new development, and consequently development

of replacement housing in the City, is the scarcity and high cost of land. Monies from the first year Community Development Block Grant have been set aside to conduct a feasibility study on alternative approaches to land banking.

A Land Banking Fund would be used primarily as a resource for replacement and relocation housing in conjunction with the City's total conservation effort. It would be a tool for acquiring available sites which, in the future, would be used as relocation sites for residential structures on parcels of land which were purchased for other public purposes. Additionally, the fund could also be used for development of new housing in conjunction with the Section 8 Rent Subsidy Program.

When sites are acquired and immediate development is not anticipated, they would be used on an interim basis as tot lots, mini parks or other open space uses.

Sites would be acquired through opportunity purchases facilitated by public notice.

VIII. CONTINUING AND PREVENTIVE MAINTENANCE ELEMENT

Conservation efforts will be directed at breaking the cycle of deterioration. In order to achieve lasting effects from conservation, it will be necessary to address the problems which contributed to deterioration initially. In most cases, deterioration in housing is the result of deferred maintenance over a long period of time. While maintenance is deferred for a number of reasons, including willful neglect, it is most often due to inability to make the necessary repairs. This can be due

to financial reasons or to a lack of knowledge of how to make even the simplest kind of repair. Mechanisms must be developed to address these situations in an effort to reverse the trend of housing stock deterioration.

A. ONE-YEAR OBJECTIVES

- To study the feasibility of alternative approaches to preventive maintenance; and
- To develop educational and self-help methods for facilitating continuing maintenance.

B. THREE-YEAR OBJECTIVES

- To develop and test the viability of a preventive maintenance mechanism; and
- To implement educational and self-help methods for achieving preventive maintenance.

C. FIVE-YEAR OBJECTIVES

- To develop and implement a preventive maintenance system which addresses the various aspects of preventive and continuing maintenance.

D. PREPAID MAINTENANCE FUND

Funds have been allocated from the first year Community Development Block Grant to study the feasibility of establishing and administering a Prepaid Maintenance Fund. The prepaid maintenance concept is an insurance orientation to continuing maintenance, similar to prepaid medical

plans or auto insurance. This type of mechanism would allow property owners to pay a small monthly or quarterly premium to cover certain future maintenance repair costs.

Owners would be able to select from a range of coverages based on the size (structure type) and condition of the property and the type of repairs to be covered. Properties determined to be violation-free, containing sound appliances and fixtures, would be considered low risk properties and, therefore, require a lower premium than properties receiving a less favorable evaluation.

The Fund should be self-supporting after a certain period of time and should levy nominal service fees to cover the costs of administration.

The feasibility study will explore alternative approaches to preventive maintenance within the framework of prepaid maintenance; determine the legal and financial parameters and implications of establishing such a fund; determine the most appropriate methods for administering a fund; meet with Neighborhood Improvement Committees to obtain their input; and explore similar programs being operated by other cities and private companies.

An interim, more limited approach to achieving continuing maintenance, will involve sponsoring educational seminars on do-it-yourself maintenance techniques. These seminars will be coordinated by the Housing Services Division of the Housing and Development Department.

IX. PUBLIC IMPROVEMENTS AND SERVICES ELEMENT

Implementing a total approach to conservation will entail upgrading

of neighborhoods as well as the housing stock. This will require an assessment of the adequacy of existing public improvements and services and making provisions for needed changes. The significance of this aspect of conservation cannot be overstated. It is a leveraging mechanism as well as one of service. Its leveraging function is related to the City's ability to increase neighborhood cohesiveness, heighten the level of private lending activity in conservation areas, and increase the level of resident participation in neighborhood activities, especially conservation activities.

All projects utilizing a concentrated approach to rehabilitation should include a public improvements and services component.

A. ONE-YEAR OBJECTIVES

- To assess the adequacy of public improvements and services in designated conservation areas; and
- To develop neighborhood beautification plans in conservation areas.

B. THREE-YEAR OBJECTIVES

- To implement neighborhood beautification in conservation areas.

C. FIVE-YEAR OBJECTIVES

- To develop and implement a system of neighborhood beautification in concert with rehabilitation efforts.

D. NEIGHBORHOOD BEAUTIFICATION

This approach is intended to operate in conjunction with concentrated rehabilitation efforts, such as the Pilot Rehabilitation, Neighborhood Rehabilitation Inspection, and Neighborhood Housing Rehabilitation program components. From the first year Community Development Block Grant, the City Council earmarked \$100,000 for public improvements and neighborhood beautification in three pilot areas. The Public Works Department has done an assessment of public improvements needed in each of the three areas. The Neighborhood Improvement Committees will develop plans for their areas.

Experience in other cities with respect to the point at which public improvements are made indicates that neighborhood beautification should be the first component of a conservation project to be implemented.

This approach does several things:

- it proves to residents that the City is sincere about implementing a conservation program and provides visible evidence to that effect;
- it serves to increase resident interest and subsequently resident participation in program activities; and
- it avoids having to delay certain property repairs until public improvements are made.

All future funding of conservation efforts should make provisions for neighborhood beautification, based on the experience gained through the Pilot Rehabilitation Project.

X. RELOCATION SERVICES ELEMENT

Provision of relocation assistance services to households participating in housing conservation efforts is a responsibility of the City. This responsibility exists for cases connected with conservation programs implemented with City funds as well as for programs implemented with Federal Funds.

While relocation assistance payments and services for families participating in or affected by federally funded activities are mandated by law with prescribed guidelines, this is not the case for locally funded activities. Berkeley City Government, however, recognizes its moral obligations with respect to this issue and has begun to take steps to address it in an effective but practical manner. The Berkeley Redevelopment Agency is Berkeley's centralized relocation agency.

A. ONE-YEAR OBJECTIVES

- To develop an effective plan for providing relocation assistance to families affected by conservation activities funded with Federal monies;
- To develop administration control mechanisms which will facilitate services delivery and evaluation of that delivery; and
- To develop relocation assistance mechanisms and plans for application in conjunction with conservation efforts sponsored and funded by the City.

B. THREE-YEAR OBJECTIVES

- To develop and refine a relocation services delivery system to

operate in conjunction with all conservation efforts.

C. FIVE-YEAR OBJECTIVES

- To continue to provide effective, equitable relocation payments and support to participants in Berkeley's conservation efforts.

D. RELOCATION SERVICES

This program component will be implemented as an adjunct to other conservation activities. It will provide relocation assistance in the form of services and payments to persons displaced or temporarily relocated as a result of conservation activities. Because the emphasis of the City's conservation efforts will be on rehabilitation of housing and not clearance and redevelopment, it is not anticipated that there will be substantial permanent displacements. However, provisions have been made for assistance payments in connection with any unforeseen cases that might arise.

\$139,500 has been allocated for relocation payments and services in conjunction with conservation efforts funded out of the first year Community Development Block Grant. The City set aside \$20,000 for relocation services for the Pilot Rehabilitation Project.

The City has designated the Berkeley Redevelopment Agency as the City's Central Relocation Agency.

This program component encompasses all of the relocation planning, services, and payments associated with those conservation efforts involving

relocations. The emphasis will be on amelioration of substandard housing conditions, alleviation of financial hardship and minimization of the stress associated with relocation.

Individual plans, including timetables, will be developed for the appropriate projects by the Central Relocation Agency. Participants requiring relocation assistance will be informed of their rights and responsibilities. The Central Relocation Agency will provide services to the affected household after being contacted by project staff. The Central Relocation Agency will submit reports on each case handled as well as monthly reports on total workload activities. Additionally, each recipient household will be given a form to fill out evaluating the quality of service received. The completed form will be mailed to the Administrative Services Division of the Housing and Development Department for input into the semi-annual evaluation report. Evaluation reports will be submitted to the Neighborhood Improvement Committees as well as to the City Council.

XI. HOUSING SERVICES ELEMENT

Information and referral mechanisms can be effective in increasing service utilization by consumers and service delivery by providers. Tenants, homeowners, and landlords have a variety of service needs which have to be addressed in a coordinated manner. Many consumers are unaware of existing services and, conversely, many providers of services lack the funds to do effective publicity and outreach.

However, there is a dearth of services within certain program areas. City activities should focus on coordination of existing services and provisions of services in areas where few or none exist.

A. ONE-YEAR OBJECTIVES

- To develop a service exchange to facilitate coordination of services.
- To compile and disseminate literature on housing related services, and
- To develop and sponsor educational seminars on housing related matters.

B. THREE-YEAR OBJECTIVES

- To develop a housing services delivery system which includes information and referral as well as mechanisms for providing a complement of direct services.

C. FIVE-YEAR OBJECTIVES

- To expand upon and improve the housing services delivery system.

D. DIRECT HOUSING SERVICES

Funds from the first year Community Development Block Grant have been allocated to a Direct Housing Services program component. Through this project, a centralized resource will be established from which citizens can obtain information which will assist them in resolving certain housing related problems.

Initially, activities will focus on coordination of existing services. This will consist of establishing an information and referral unit which will compile and disseminate information regarding available housing

services provided by the public and private sectors. Informational and educational materials on housing related resources, do-it-yourself projects, and available resources for the elderly and disabled will be developed.

Seminars will be held to inform prospective homebuyers of what to look for when purchasing a home; tenants of their legal rights and obligations under lease contracts and implications of the Green Decision; low-income landlords of effective management techniques; and homeowners, landlords and tenants of simple routine maintenance techniques.

Additionally, the Direct Housing Services project will provide community organization support to neighborhoods or areas involved in City sponsored rehabilitation efforts.

TABLE 8

PROGRAMMATIC COMPARISON OF REHABILITATION PROJECTS
HOUSING AND DEVELOPMENT DEPARTMENT
CITY OF BERKELEY

	<u>Residential Rental Inspection</u>	<u>Neighborhood Rehab Inspection</u>	<u>Emergency Repair Fund</u>	<u>Pilot Rehabilitation</u>
<u>APPROACH</u>	Systematic inspection and compliance through establishment of districts and compliance timetables.	Concentrated inspection and compliance	Citywide	concentrated
<u>TARGET POPULATION OR STRUCTURE CLASS</u>	Multi-unit residential structure	Multi-unit residential structures with immediately and incipiently hazardous conditions	Residential structures single and multiples	single family structures to four unit structures
<u>FINANCING AND MECHANISM</u>	Not available at this time	CDBG- revolving fund thru Municipal Loan Program	CDBG- revolving fund thru Municipal Loan Program	
Loan Terms	Not determined		Not determined	
Amount-maximum	" "	not determined	" "	\$10,000 for single 15,000 2 to 4 units
interest	" "	variable interest rate	" "	variable interest rate
loan terms	" "	not determined	" "	20 years
deferred payments	" "	" "	" "	Yes (w) 1% int. \$5.00 minimum paymt.
Loan Priorities	1st-Owner-occupants of properties with immediately and incipiently hazardous conditions	1st- properties with hazardous conditions -owner occupants and majority of tenants are low or very low income (Section 8)	Not determined	● Need for Rehabilitation
	2nd-absentee owners with same	-absentee owners and majority of tenants are low or very low income		● Deservedness of the applicant
	3rd-owner-occupants properties with code violations	-owner occupants majority of tenants <u>not</u> lower or very low income		
	4th-absentee owners properties with code violations, no increases for one year	-absentee owners majority of tenants are <u>not</u> lower or very low income		
	5th-absentee owner, properties with code violations	2nd- properties with non-hazardous conditions 3rd- properties with rehabilitation recommendations		

	<u>Physically Disabled & Seniors Housing Rehabilitation</u>	<u>Neighborhood Housing Rehabilitation</u>
<u>APPROACH</u>	Scattered	- Concentrated, total neighborhood upgrading
<u>TARGET POPULATION OR STRUCTURE CLASS</u>	Physically disabled and elderly residents- One to four unit structures	One to four unit structures
<u>FINANCING AND MECHANISM</u>	CDBG-revolving fund thru Municipal Loan Program	Not determined
Loan Terms		Not determined
Amount Maximum	\$15,000	" "
interest	variable interest rate	" "
loan terms	20 years	" "
deferred payment	Yes (w) 1% int. w/\$5 minimum monthly payment	" "
Loan priorities	Applicants of former Model Cities Rehabilitation Project	1st- properties with immediately and incipiently hazardous
	④ 1st- properties with immediately incipiently hazardous conditions	
	④ 2nd- properties with code violations	2nd- properties with code violation
	④ 3rd- Rehab recommendations only	3rd- properties with rehabilitation recommendations only

TABLE 8 (continued)

	<u>Residential Rental Inspection</u>	<u>Neighborhood Rehabilitation Inspection</u>	<u>Emergency Repair Fund</u>
<u>REHABILITATION STANDARDS</u>	<ul style="list-style-type: none"> ● correction of immediately and incipiently hazardous conditions ● correction of code violations 	<ul style="list-style-type: none"> ● correction of immediately and incipiently hazardous conditions ● correction of role violations ● correction of rehab recommendations @ 40% of cost of repairs for code violations 	<ul style="list-style-type: none"> ● Immediately hazardous conditions
<u>PROGRAM SERVICES</u>	Not determined	Property surveys, work write-ups, cost estimates, bid docs-preparation, bid solicitation and evaluation, loan packaging, recordation of legal documents,	Same as in Neighborhood Rehab Inspection
<u>LINKAGES</u>	Municipal Loan Program Neighborhood Rehab Inspection Emergency Repair Construction Training Direct Housing Services Section 8 Relocation Services	Municipal Loan Program Emergency Repair Fund Residential Rental Inspection Construction Training Direct Housing Services Section 8 Neighborhood Beautification Relocation Services	Municipal Loan Program Neighborhood Rehab Inspection Residential Rental Inspection Pilot Rehabilitation Physically Disabled and Seniors Housing Rehabilitation Neighborhood Housing Rehabilitation Direct Housing Services Relocation Services Residential Complaint Process
<u>NUMBER OF LOANS - FIRST YEAR</u>	None	Approximately 50	Approximately 40

<u>REHABILITATION STANDARDS</u>	<u>Pilot Rehabilitation</u> <ul style="list-style-type: none">● correction of immediately and incipiently hazardous conditions● correction of code violations● correction of rehab recommendations @ 40% of cost of repairs for code violations	<u>Physically Disabled and Seniors Housing Rehabilitation</u> <ul style="list-style-type: none">● correction of immediately and incipiently hazardous conditions -● correction of code violations● correction of rehab recommendations @ 40% of cost of repairs for code violations	<u>Neighborhood Housing Rehab</u> <ul style="list-style-type: none">● correction of immediately and incipiently hazardous conditions● correction of code violations● correction of rehab recommendations @ 40% of cost of repairs of code violations
<u>PROGRAM SERVICES</u>	Same as in Neighborhood Rehab Inspection	Same as in Neighborhood Rehab Inspection	Same as in Neighborhood Rehab Inspection
<u>LINKAGES</u>	Municipal Loan Program Emergency Repair Fund Relocation Services Direct Housing Services Section 8 existing	Municipal Loan Program Emergency Repair Fund Relocation Services Direct Housing Services South Berkeley Seniors Construction Training	Municipal Loan Program Emergency Repair Fund Pilot Rehab Relocation Services Direct Housing Services Neighborhood Beautification
<u>NUMBER OF LOANS - FIRST YEAR</u>	Fifty (50)	Twenty (20)	None

TABLE 9 - HOUSING REHABILITATION QUANTIFIED OBJECTIVES

HOUSING REHAB PROJECTS BY YEAR AND BY TYPE OF LOAN (in number of loans)
Housing & Development Department, City of Berkeley

Project	<u>FIRST YEAR</u>		<u>SECOND YEAR</u>		<u>THIRD YEAR</u>		<u>FOURTH YEAR</u>		<u>FIFTH YEAR</u>		<u>TOTAL</u>	
	Municipal Loans	Private Loans	Municipal Loans	Private Loans	Municipal Loans	Private Loans	Municipal Loans	Private Loans	Municipal Loans	Private Loans	Municipal Loans	Private Loans
<u>Codes Inspection & Compliance Element</u>												
*Resid Rental Inspec					50	100	75	150	150	300	275	550
Neigh Rehab Inspec	50	100	50	100	75	100					175	300
Emergency Repair	40	80	40	80	60	120	70	140	80	160	290	580
Subtotal	90	180	90	180	185	320	145	290	230	460	740	1,430
<u>Housing Rehab Element</u>												
Pilot Rehabilitation	50	100	50	100							100	200
Physically Disabled & Seniors Hsg Rehab	20	none	30	none	50	none	50	25	75	40	225	65
Neigh Hsg Rehab					75	150	100	125	125	200	300	475
Subtotal	70	100	80	100	125	150	150	150	200	240	625	740
TOTAL	160	280	170	280	310**	470	295	440	430	700	1,365	2,170

* Municipal loans to correct hazardous conditions uncovered in the inspection process will be made through the Emergency Repair Fund. The first phase of the Residential Rental Inspection Program is the Neighborhood Rehab Inspection Project.

** Substantial increases in the number of loans in the third year are based on the assumption that the City will be in a position to leverage funds to establish a larger loan pool for rehabilitation.

CHAPTER SIX

DIRECT AND INDIRECT COSTS OF PROPOSAL AND SOURCES OF FUNDS

I. DIRECT AND INDIRECT COSTS

Several estimates have been made of the cost of resolving Berkeley's housing problem. In the Housing Conservation Policy Report submitted to Council in September, 1973, it was estimated that the cost of carrying out a Citywide housing conservation program would be \$5,000,000 in direct subsidies to low income owners, \$3,000,000 to \$5,000,000 in basic capital improvements in residential areas and an annual administrative cost of \$350,000 to \$530,000.

The Residential Rental Inspection Program Report, submitted for Council action on February 25, 1975, indicated that a conservative estimate of the Citywide repair bill was over \$43 million. This represented the cost of bringing 25,667 structures up to the Housing Code.

The costs in this chapter are estimates of the cost of operating the housing conservation programs proposed in Chapter Five. These cost figures are different from the figures reflecting the scope of the problem as indicated in the Housing Conservation Policy Report and the Residential Rental Inspection Program Report.

The estimated cost of doing the conservation programs proposed in Chapter Five is as follows:

\$2,067,696 for the first year

\$2,724,390 for the second year

\$3,074,732 for the third year

\$3,842,982 for the fourth year

\$5,648,212 for the fifth year

The total cost for operating these programs over the next five years

is estimated to be \$16,540,839. These cost figures represent both the direct and indirect costs of the programs. Table 10, Direct and Indirect Costs, shows the costs by project and the proposed sources of funds for each of the five years.

A. DIRECT COSTS

The direct costs consist of programmatic staff, administrative staff, and overhead costs and programmatic funds. The first year costs are the actual budget proposed by the Housing and Development Department for its 1975-1976 fiscal year. The \$100,000 for Neighborhood Beautification will be used to provide the public improvements in the Pilot Program Areas. The total cost for the public improvements has been estimated at \$1,386,000. The problem of how to secure sufficient funds to cover public improvement costs has not been resolved.

The first year program activities will primarily consist of the initial planning and implementation of the various programs. The subsequent years will involve a higher level of program activities. This is directly reflected in the increases in the costs.

B. INDIRECT COSTS

The indirect costs consist of the administrative support cost of other City departments such as the Auditor, Legal, City Clerk, Finance and Public Works. The cost is 20% of the total direct cost for each year. This is in accord with the Uniform Cost Allocation Plan, which meets Federal guidelines for eligible indirect costs. The Uniform Cost Allocation Plan is the result of a comprehensive analysis of the actual

cost incurred by the City in operating grant programs funded by outside agencies. This comprehensive analysis was performed by CPA consultants as part of the management study done for Berkeley by A.D. Little, Wilfong/Morris.

II. SOURCES OF FUNDS

Presently the sources of funds available for the conservation programs are General Funds, Community Development Block Grant Funds, Urban Reinvestment Task Force Grant and Comprehensive Employment Training Act (CETA) Funds. The first year's funding consists of \$1,511,600 in Community Development Block Grant funds, which Council approved for housing programs, \$580,700 in General Funds, \$311,200 in CETA Funds and \$30,000 from the Urban Reinvestment Task Force Grant. The total 1975-1976 fiscal year allocation for the Housing and Development Department is \$2,428,550. This includes the cost of the Codes and Inspection Division's operations which are not included in the first year's direct cost figure of \$1,723,080.

In the subsequent years, the Housing and Development Department plans to supplement its present General Fund and Community Development Block Grant allocations with funds from other sources. Both the Municipal Loan Project Coordinator and the Program Planning Division will be working on securing sufficient funds to pay for the program cost increases. Potential supplemental fund sources include the State Housing Finance Agency, the National Historic Preservation Act, secondary market, pension funds, direct borrowing, and bonds. As was indicated in the Municipal Loan Program Element of Chapter Five, these funding sources would be used to cover the cost of administering the programs, loan funds, and the cost of defaults.

TABLE 10 - DIRECT & INDIRECT COSTS OF FIVE YEAR HOUSING CONSERVATION PROGRAM

Housing & Development Department, City of Berkeley

DIRECT COST

<u>PROGRAM</u>	<u>1st Year</u>		<u>2nd Year</u>		<u>3rd Year</u>		<u>4th Year</u>		<u>5th Year</u>		<u>TOTAL</u>
	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	
Municipal Loan	689,501	CDRS	861,876	CDRS,	1,034,251	CDRS,	1,292,814	CDRS,	1,551,377	CDRS,	5,429,819
Program	64,501		80,626	Other	96,751	Other	120,939	Other	145,127	Other	507,944
Loans	625,000 ³		781,250	Sources ¹	937,500	Sources	1,171,875	Sources	1,406,250	Sources	4,921,875
Resid Rent Insp											
Neigh Rehab Insp	85,283	CDRS	106,581	CDRS, OS	127,924	CDRS, OS	159,905	CDRS, OS	191,886	CDRS, OS	671,579
Emerg Repair	79,809	CDRS	99,761	CDRS, OS	119,713	CDRS, OS	149,641	CDRS, OS	179,570	CDRS, OS	628,494
Pilot Rehab	232,694	CDRS, Gen Fund & CETA	290,867	CDRS, Gen Fund							523,561
Neigh Hsg Insp					71,700	CDRS, OS	89,265	CDRS, OS	290,000	CDRS, OS	450,965
Phys Dis & Srs	87,960	CDRS	109,950	CDRS, OS	131,940	CDRS, OS	164,925	CDRS, OS	197,910	CDRS, OS	692,685
Const Training	126,300	Gen Fund & CETA	157,875	Gen Fund	189,450	Gen Fund	236,812	Gen Fund	284,175	Gen Fund	994,612
Land Banking	15,000	CDRS ²	84,000	CDRS, OS	177,250	CDRS, OS	221,562	CDRS, OS	265,875	CDRS, OS	763,687
Program	15,000		34,000		77,250		96,562		115,875		338,687
Loans			50,000		100,000		125,000		150,000		425,000
Prepaid Maint	15,000	CDRS ²	70,000	CDRS, OS	122,750	CDRS, OS	153,437	CDRS, OS	184,125	CDRS, OS	545,312

TABLE 10 (cont.)

	<u>1st Year</u>		<u>2nd Year</u>		<u>3rd Year</u>		<u>4th Year</u>		<u>5th Year</u>		
	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	<u>COST</u>	<u>SOURCE</u>	<u>TOTAL</u>
Neighborhood Beautification	100,000	CDRS	125,000	CDRS	150,000	CDRS	187,500	CDRS	225,000	CDRS	787,500
Relocation Serv	188,787	CDRS	235,983	CDRS, OS	285,180	CDRS, OS	353,975	CDRS, OS	424,770	CDRS, OS	1,486,695
Program	49,287		61,608		73,930		92,413		110,895		388,133
Payments	139,500		174,375		209,250		261,562		313,875		1,098,562
Direct Housing	102,746	CDRS	128,432	CDRS, OS	154,119	CDRS, OS	192,648	CDRS, OS	231,178	CDRS, OS	809,123
TOTAL	1,723,080		2,270,325		2,562,277		3,202,485		4,025,866		13,784,033
<u>INDIRECT COST</u>											
Administrative Support	344,616	Gen Fund & CDRS	454,065	Gen Fund & CDRS, OS	512,455	Gen Fund, & CDRS, OS	640,497	Gen Fund, CDRS, OS	805,173	Gen Fund, CDRS, OS	2,756,806
<u>TOTAL</u>											
Direct Costs	1,723,080		2,270,325		2,562,277		3,202,485		4,025,866		13,784,033
Indirect Costs	344,616		454,065		512,455		640,497		805,173		2,756,806
Total Cost	2,067,696		2,724,390		3,074,732		3,842,982		5,648,212		16,540,839

- 1 Other Sources (OS) includes State Finance Housing Finance Agency, National Historic Preservation Act, secondary market, pension funds, direct borrowing and bonds.
- 2 Represents the salary of one planner.
- 3 Loans of \$625,000 for the first year consist of: \$325,000 for Neighborhood Rehabilitation Inspection Program; \$200,000 Physically Disabled-Senior Rehabilitation Program; \$100,000 Emergency Repair Program.

CHAPTER SEVEN

ADMINISTRATIVE STRUCTURE OF NEW HOUSING & DEVELOPMENT DEPARTMENT

The administrative structure being proposed to operate the conservation programs is that which has already been established as the Housing and Development Department. The Housing and Development Department was created by the City Council on November 12, 1974, as part of the re-organization of the City's administration. The department integrates functions formerly performed by the Inspection Services Department, the City Manager's Office (Housing Conservation Coordination), and certain housing planning activities in the Comprehensive Planning Department.

The Department of Housing and Development, operating since May 1, is responsible for the overall planning, administration and operation of all City housing programs. The focus of the department's activities during its first year will be on the implementation of the conservation programs to be funded by Community Development Revenue Sharing monies. This will be in addition to the on-going activities of enforcing the City's building, housing and related codes and ordinances. The operations of the Housing Department reflect the City's commitment to housing as a municipal function. The Department is being established with the following five divisions:

- The Administrative Services Division, which provides administrative support to the department head and managerial, budgetary, and accounting support to all the other divisions. It oversees the budget for the entire department and monitors and evaluates ongoing departmental activities. The Expanded Municipal Loan Program will be operated by this division.
- The Conservation and Development Division is responsible for implementing all City housing conservation and new development programs.

Existing programs for which the division is responsible include the Pilot Rehabilitation Project and completion of the Model Cities Rehabilitation and Federally-Assisted Code Enforcement Projects. Programs to be funded by Community Development funds include the Physically Disabled and Seniors Housing Rehabilitation Program and the Emergency Repair Program. This division works closely with the Program Planning Division to insure a smooth transition from planning to operation. It also closely coordinates its activities with the Codes and Inspection Division and with the Housing Services Division, as well as with all departments of the City involved in totally upgrading project areas.

- The Codes and Inspection Division is composed of the principal portion of the former Inspection Services Department and is responsible for the enforcement of building, housing and related codes and ordinances governing City-wide housing and building construction, alteration, use, zoning and conditions. It is responsible for the issuance of permits and inspection of new construction, remodeling, rehabilitation, demolition and change of occupancy work. The division also will operate the Neighborhood Rehabilitation Inspection Program, which is to be funded through Community Development Revenue Sharing monies.
- Program Planning Division develops detailed program plans for all housing and development activities. During the first year Community Development will be developing plans for the implementation of the Emergency Repair Program, Physically Disabled-Seniors Housing Rehabilitation Program and the Neighborhood Rehabilitation Inspection

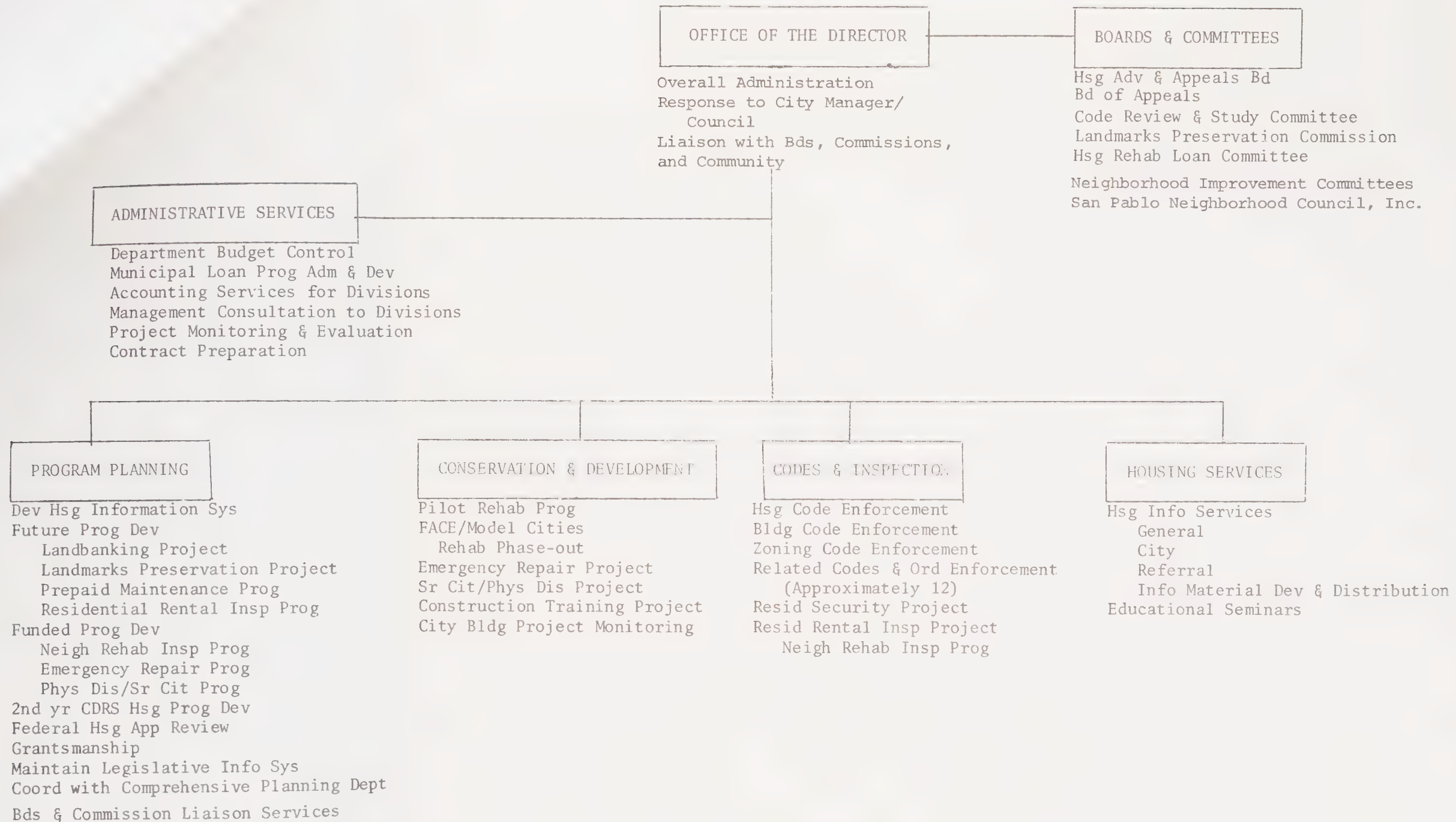
Program, and Landmarks Preservation Ordinance. This division will also study conservation-related activities such as land banking and pre-paid maintenance. The maintenance of data on the City's housing stock, development of evaluation plans for Conservation and Development Division projects, provision of staff assistance to citizen committees which have review functions related to programmatic planning, grantsmanship, and maintenance of information on proposed and existing housing and development legislation are additional responsibilities of the Program Planning Division.

- The Housing Services Division is principally an information and referral unit which compiles and disseminates information regarding available housing services provided by the City administration and the private sector. This Division will assist citizens groups involved in housing-related matters and develop and conduct seminars for home owners and residents on such topics as home purchase, tenants' rights, and do-it-yourself housing projects. It will coordinate its activities closely with those of the Conservation and Development and Codes and Inspection Divisions. Also it will act as liaison to the City's Centralized Relocation Agency.

Citizen input into all phases of departmental activities will be of utmost importance. In view of the passage of Initiative #2 and the resulting re-constitution of citizen bodies, it is anticipated that within the next three months Council will propose a citizen body for housing related matters. Such a citizen structure should represent a cross-section of the community and be advisory to the City Manager and City Council.

The functional chart for the Housing and Development Department gives a summary of the activities of each division.

TABLE 11 - PROPOSED HOUSING & DEVELOPMENT DEPARTMENT FUNCTIONAL CHART
City of Berkeley



APPENDIX A

DEFINITIONS OF VARIABLES AND NORMS

1. Age of Housing Unit

More than 57% of the residential units in the City are 35 years old or older, according to the 1970 census data. The "35 years old or older" figure is the measure used by the Census Bureau as an indicator of housing condition.

2. Persons Per Room

The 1970 census data indicates that overcrowding existed in 4.3% of the City's total housing stock. The census defines overcrowding as units having more than 1.0 persons per room. Persons per room is computed by dividing the number of persons in the unit by the number of rooms in the unit.

3. Rent as a Percentage of Income

According to the 1970 Census, 56% of the City's renter households paid more than 25 percent of their gross annual income for shelter cost. The desirable rent/income ratio, as established by the Bureau of Census in conjunction with the Departments of Labor and of Housing and Urban Development, is $\frac{1}{4}$ or 25%. The yearly gross rent is expressed as a percentage of the total income in 1969 of the family or primary individual.

4. Houses Sold

Based on information extracted from the Berkeley profiles study regarding housing units offered for sale during the period July, 1973 - May, 1974, the mean length of time advertised units remained

on the market was 3.05 months. This average was determined by compiling information from the Multiple Listing Service.

5. Sales with Conventional Financing

Again based on information compiled from the Multiple Listing Services and extracted from the Berkeley profiles, 84% of the properties sold during the period of July, 1973 - May, 1974, were conventionally financed.

6. Housing Value

According to the 1970 Census, the mean home value for Berkeley was \$30,135. This represents the sum of the individual property values reported, divided by the number of owner-occupied units for which value is shown.

7. Mean Annual Income

The 1970 census data indicates that the mean annual income is \$7,341. The mean income is the amount obtained by dividing the total income of the City by the number of incomes counted.

8. Population 62 Years and Over

Approximately 13.3% of the City's population is 62 years of age or older according to the 1970 Census.

9. Disabled

9.9% of the City's population is disabled or handicapped, according to the 1970 Census.

10. Cost of Repair/Floor Area

Based on information extracted from the 1973 Building Condition

Survey, the average cost of repair is \$1.74/sq ft. This cost was computed by multiplying the number of incidents cited at each cost figure and then totaling the results. The total number of incidents cited was then divided into the total cost figure.

11. Cost of Repair/Structure

The cost of repair per structure averages to \$1,980 based on the same process as for Cost of Repair/Floor Area.

APPENDIX A-2

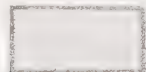
MAPS

BERKELEY ALAMEDA COUNTY CALIFORNIA

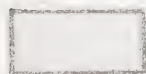
1. WEST BERKELEY AREA
2. WESTBRAE-NOTHS AREA
3. COW HOLLOW AREA
4. NORTH BERKELEY AREA
5. THOUSAND OAKS AREA
6. HILL AREA
7. HILLSIDE AREA
8. NORTHGATE AREA
9. DOWNTOWN AREA
10. SOUTH CAMPUS AREA
11. CLAREMONT-ELMWOOD AREA
12. WILLARD PARK AREA
13. BATEMAN AREA
14. LE CONTE AREA
15. SAVO ISLAND AREA
16. FLATLANDS AREA
17. MCGEE AREA
18. SUDS AREA
19. SAN PABLO AREA
20. SOUTH BERKELEY AREA
21. WATERFRONT AREA

-143-

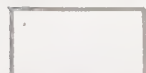
Percentage of Housing Over
35 Years Old



65% - 90%



60 - 65%



Less than 60%

NOTE: Area 15 should be
coded as 60 - 65%

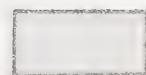


BERKELEY

ALAMEDA COUNTY

CALIFORNIA

1. WEST BERKELEY AREA
2. WESTRAE-WOODS AREA
3. COW HOLLOW AREA
4. NORTH BERKELEY AREA
5. THOUSAND OAKS AREA
6. HILL AREA
7. HILLSIDE AREA
8. NORTHGATE AREA
9. DOWNTOWN AREA
10. SOUTH CAMPUS AREA
11. CLAREMONT-ELMWOOD AREA
12. WILLARD PARK AREA
13. BATEMAN AREA
14. LE CONTE AREA
15. SAVO ISLAND AREA
16. FLATLANDS AREA
17. MCGEE AREA
18. SUDS AREA
19. SAN PABLO AREA
20. SOUTH BERKELEY
- MODEL CITIES AREA
21. WATERFRONT AREA



More than 1 person per
room

CHARLES
LEE
TILDEN
PARK

1. WEST BERKELEY AREA
2. WESTBARK-WOODS AREA
3. COW HOLLOW AREA
4. NORTH BERKELEY AREA
5. THOUSAND OAKS AREA
6. HILL AREA
7. HILLSIDE AREA
8. NORTHGATE AREA
9. DOWNTOWN AREA
10. SOUTH CAMPUS AREA
11. CLAREMONT-ELMWOOD AREA
12. WILLARD PARK AREA
13. BATEMAN AREA
14. LE CONTE AREA
15. SAVO ISLAND AREA
16. VIATKINS AREA
17. MCGEE AREA
18. SUDS AREA
19. SAN PABLO AREA
20. SOUTH BERKELEY AREA
21. WATERFRONT AREA

BERKELEY
ALAMEDA COUNTY
California



 MEDIAN RENT GREATER
THAN 25% OF INCOME

TENTATIVE STUDY AREAS OF BERKELEY

HOUSES SOLD

1. WEST BERKELEY AREA
2. WESTBRAE-NOBBS AREA
3. COW HOLLOW AREA
4. NORTH BERKELEY AREA
5. THOUSAND OAKS AREA
6. HILL AREA
7. HILLSIDE AREA
8. NORTHGATE AREA
9. DOWNTOWN AREA
10. SOUTH CAMPUS AREA
11. CLAREMONT-ELMWOOD AREA
12. WILLARD PARK AREA
13. BATEMAN AREA
14. LE CONTE AREA
15. SAVO ISLAND AREA
16. FLATLANDS AREA
17. MCGEE AREA
18. STIDE AREA
19. SAN PABLO AREA
20. SOUTH OAK FLATS AREA
21. WATERFRONT AREA

BERKELEY
ALAMEDA COUNTY
CALIFORNIA

Scale 1/4" = 1 Mile

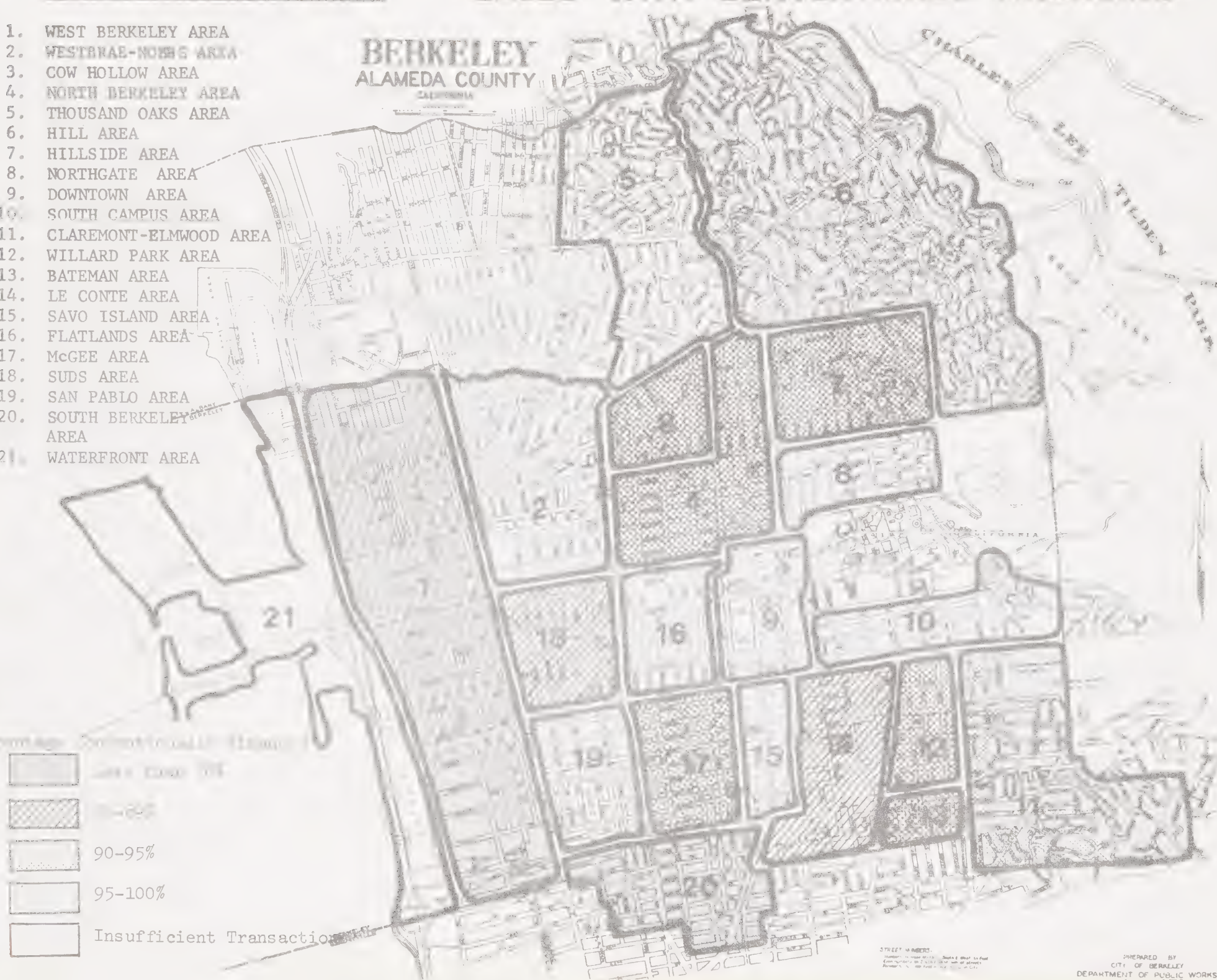


CLAREMONT
TILDEN PARK



1. WEST BERKELEY AREA
2. WESTRAE-NORTH AREA
3. COW HOLLOW AREA
4. NORTH BERKELEY AREA
5. THOUSAND OAKS AREA
6. HILL AREA
7. HILLSIDE AREA
8. NORTHGATE AREA
9. DOWNTOWN AREA
10. SOUTH CAMPUS AREA
11. CLAREMONT-ELMWOOD AREA
12. WILLARD PARK AREA
13. BATEMAN AREA
14. LE CONTE AREA
15. SAVO ISLAND AREA
16. FLATLANDS AREA
17. MCGEE AREA
18. SUDS AREA
19. SAN PABLO AREA
20. SOUTH BERKELEY AREA
21. WATERFRONT AREA

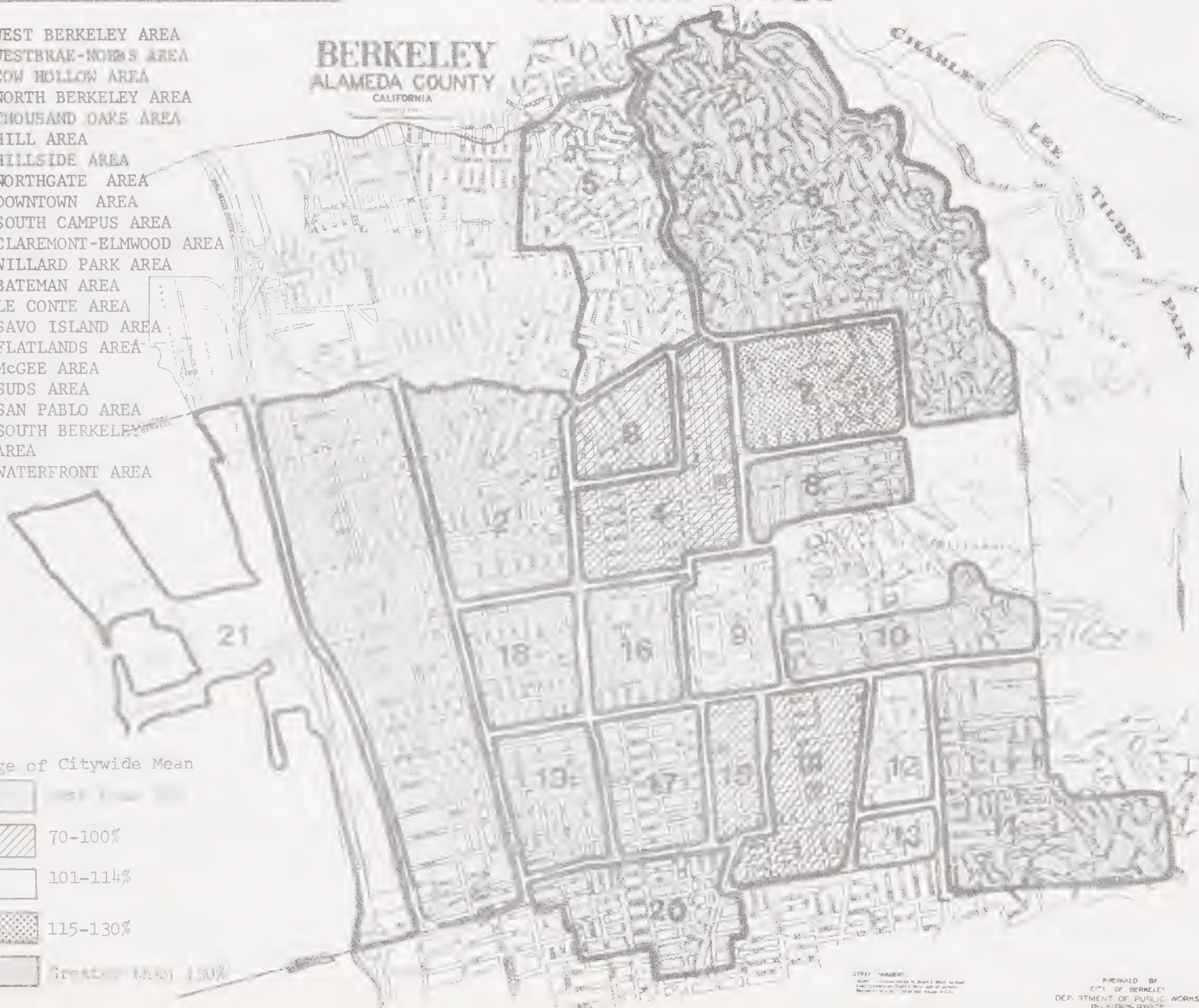
BERKELEY
ALAMEDA COUNTY
CALIFORNIA



- 90-95%
- 95-100%
- Insufficient Transaction

HOUSING VALUE

- BERKELEY
ALAMEDA COUNTY
CALIFORNIA



STREET ADDRESS

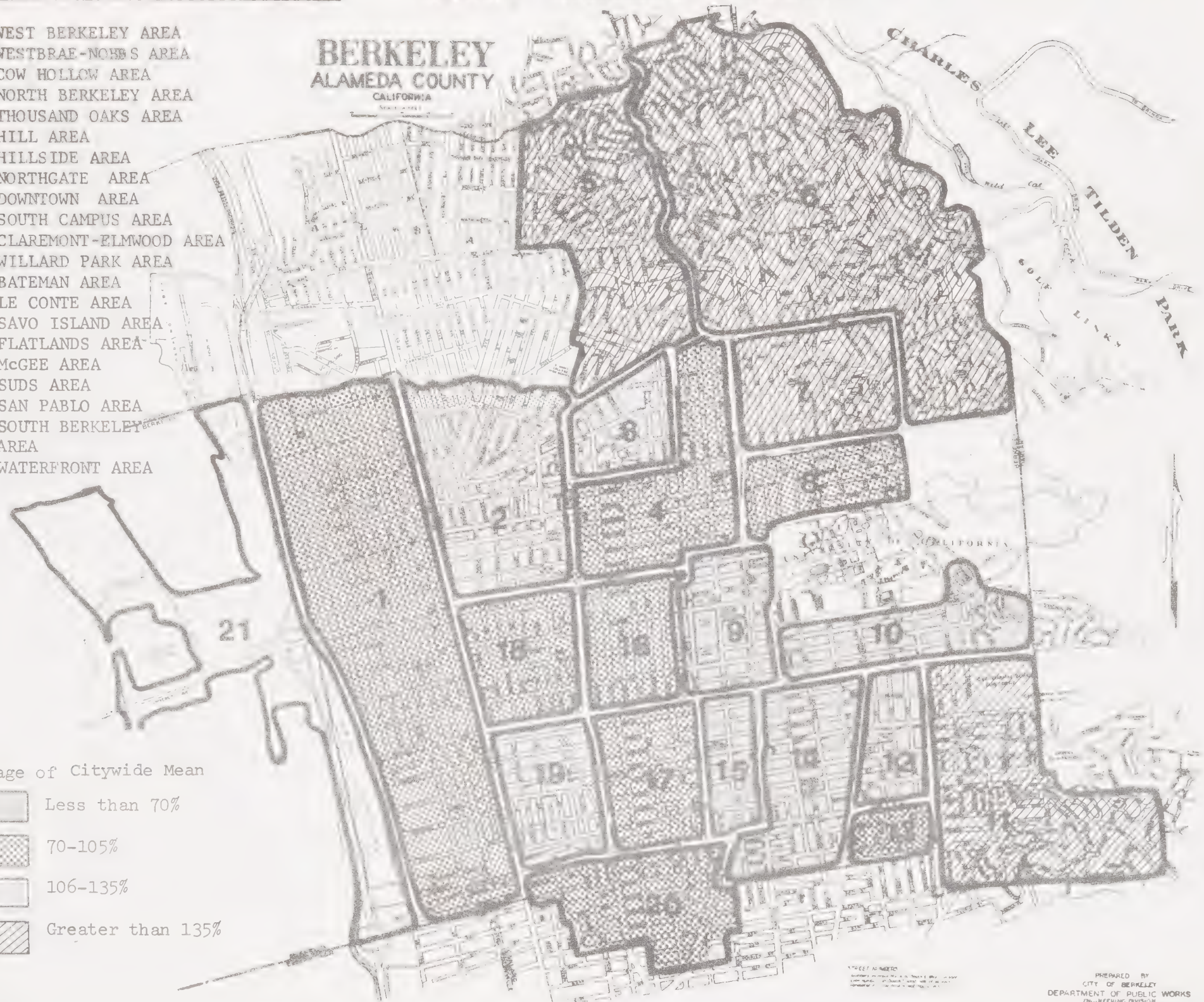
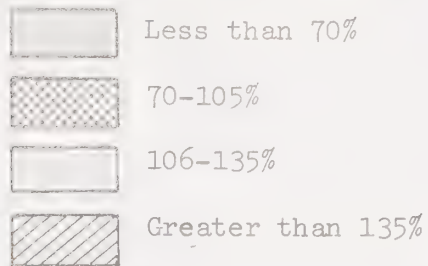
PREPARED BY
CITY OF BERKELEY
DEPARTMENT OF PUBLIC WORKS
ENGINEERING DIVISION

BERKELEY ALAMEDA COUNTY CALIFORNIA

1. WEST BERKELEY AREA
2. WESTBRAE-NORRIS AREA
3. COW HOLLOW AREA
4. NORTH BERKELEY AREA
5. THOUSAND OAKS AREA
6. HILL AREA
7. HILLSIDE AREA
8. NORTHGATE AREA
9. DOWNTOWN AREA
10. SOUTH CAMPUS AREA
11. CLAREMONT-ELMWOOD AREA
12. WILLARD PARK AREA
13. BATEMAN AREA
14. LE CONTE AREA
15. SAVO ISLAND AREA
16. FLATLANDS AREA
17. MCGEE AREA
18. SUDS AREA
19. SAN PABLO AREA
20. SOUTH BERKELEY AREA
21. WATERFRONT AREA

-149-

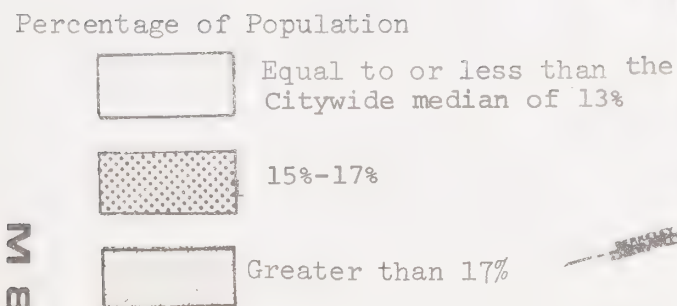
Percentage of Citywide Mean



STREET NUMBERS
 (Numbers are shown only in the areas shown on this map. They are not shown in the areas shown on the map.)

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 DEPARTMENT OF PUBLIC WORKS
 DRAWING DIVISION

- BERKELEY**
ALAMEDA COUNTY
CALIFORNIA



BERKELEY

ALAMEDA COUNTY

CALIFORNIA

SCALE 1:50,000

1. WEST BERKELEY AREA
2. WESTBRAE-NOBBS AREA
3. COW HOLLOW AREA
4. NORTH BERKELEY AREA
5. THOUSAND OAKS AREA
6. HILL AREA
7. HILLSIDE AREA
8. NORTHGATE AREA
9. DOWNTOWN AREA
10. SOUTH CAMPUS AREA
11. CLAREMONT-ELMWOOD AREA
12. WILLARD PARK AREA
13. BATEMAN AREA
14. LE CONTE AREA
15. SAVO ISLAND AREA
16. FLATLANDS AREA
17. MCGEE AREA
18. SUDS AREA
19. SAN PABLO AREA
20. SOUTH BERKELEY
21. MODEL CITIES AREA
22. WATERFRONT AREA

Percentage of Population



Above the Citywide Median of 9.9%

CHARLES
LEE
TILDEN
PARK

OF CALIFORNIA

CALIFORNIA SCHOOL FOR DEAF

CALIFORNIA SCHOOL FOR DEAF

MAYOR CLAREMONT

PREPARED BY
CITY OF BERKELEY
DEPARTMENT OF PUBLIC WORKS
ENGINEERING DIVISION

STREET NAMES

APPENDIX B

CITY OF BERKELEY
HOUSING CONSERVATION TASK FORCE

Outline of Comprehensive Report on Housing Conservation

Introduction

- I. Past and Present City Conservation Activities
 - A. Early Conservation Efforts
 1. Health and Safety Committee
 2. South Campus Unassisted Code Enforcement Project
 3. San Pablo Federally-Assisted Code Enforcement Project
 4. Model Cities Rehabilitation Project
 5. Facts Related to Early Conservation Activities to be Considered in Developing City-wide Conservation Programs
 - B. Programs Relating to Conservation Existing at the Time of Creation of the Housing & Development Department (May 1, 1975)
 1. Inspection Services Department Programs
 - a. Funded Programs Relating to Housing Conservation
 - (1) Pilot Rehabilitation Program
 - (2) Municipal Loan Program
 - (3) Multi-unit Inspection Program
 - (4) FHA and Cal-Vet Pre-sale Inspection Program
 - b. Proposed Programs Relating to Housing Conservation
 - (1) Green Decision and Retaliatory Eviction Procedure Activities
 - (2) Landmarks Preservation Program
 - (3) Residential Rental Inspection Program
 - (4) Vacant Building Ordinance
 - c. Facts Relating to Inspection Services Department Programs to be Considered in Developing City-wide Conservation Programs
 2. Planning Department Programs
 - a. Existing Activities Relating to Housing Conservation
 - (1) Master Plan Revision
 - (2) Housing Element of the Revised Master Plan
 - (3) Hearst Strip Study
 - (4) Vacant Lot Study
 - (5) Condominium Study
 - b. Facts Relating to Planning Department Activities to be Considered in Developing City-wide Conservation Programs
 3. Housing Authority/Redevelopment Agency Programs
 - a. Existing Activities Relating to Housing Conservation
 - (1) Section 23 Leased Housing Programs
 - (2) West Berkeley Industrial Park
 - (3) Savo Island Project
 - (4) Other Activities
 - b. Facts Relating to Housing Authority/Redevelopment Agency Activities to be Considered in Developing City-wide Conservation Programs

- II. Conservation Programs in Other Cities
 - A. Boston, Massachusetts
 - B. Cincinnati, Ohio
 - C. Dallas, Texas
 - D. Norfolk, Virginia
 - E. Oakland, California
 - F. Palo Alto, California
 - G. Pittsburgh, Pennsylvania
 - H. San Francisco, California
- III. Berkeley's Households and Housing Stock
 - A. City-wide Characteristics
 - B. Condition Survey Areas
 - C. Master Plan Study Areas
- IV. Proposed Housing Conservation Goals and Policies
- V. Proposed Housing Conservation Program
 - A. Introduction
 - B. Assumptions
 - C. Municipal Loan Element
 - D. Codes Inspection and Compliance Element
 - E. Housing Rehabilitation Element
 - F. Architectural and Historic Preservation Element
 - G. Replacement Housing Element
 - H. Continuing and Preventive Maintenance Element
 - I. Public Improvements and Services Element
 - J. Relocation Services Element
 - K. Housing Services Element
- VI. Direct and Indirect Costs of Proposal and Sources of Funds
- VII. Administrative Structure of New Housing & Development Department

INTERVIEWS

1. Bernon Erickson, Director of Finance Department, October 30, 1974
2. Jack Atkins, Director of Inspection Services Department, October 31, 1974
3. Bill McGraw, Code Enforcement Project Coordinator and Roy Morris, Financial Advisor, San Pablo Code Enforcement Office, November 4 1974, and November 8, 1974
4. Ed Atkins, Division Chief, Master Plan Revision Program, November 5, 1974
5. Michael Lawson, Deputy City Attorney, November 8, 1974
6. Tom Peak, Director of Comprehensive Planning Department, November 19, 1974
7. Johnny Haracz, Chief of Planning and Engineering, Berkeley Redevelopment Agency, November 13, 1974
8. Mary Widener, Director of Neighborhood Housing Services, Oakland, California, January 9, 1975

SOURCES

1. U.S. Department of Housing and Urban Development. Examples of Local and State Financing of Property Rehabilitation, 1974.
2. Journal of Housing, "Norfolk has Successful Experience with Local Loans for Rehabilitation and Conservation," 1974.
3. Compendium of City and County of San Francisco's Proposed Rehabilitation Assistance Program (RAP).
4. Appendix I, Palo Alto Proposed Rehabilitation Program.
5. Berkeley Profiles, Statistical Indications by Study Areas, Master Plan Revision Program, Berkeley Planning Department, November, 1974.
6. Building Condition Survey, Planning Department - Inspection Services, June, 1973.
7. Housing Assistance Plan, January, 1975.
8. Housing Needs; Part I and II, Berkeley Planning Department, October, 1974.
9. Community Development Block Grant Application, City Manager's Office, February, 1975.

SCHEDULE OF REPORT PREPARATION

OUTLINE OF COMPREHENSIVE REPORT ON HOUSING CONSERVATION

First Draft: September, 22, 1974

Revised: April 8, 1975; May 28, 1975

INTRODUCTION

First Draft: December 5, 1974

Revised: May 28, 1975

CHAPTER ONE: PRESENT AND PAST CITY CONSERVATION ACTIVITIES

First Drafts: December 5, 1974; and December 13, 1974

Revised: May 28, 1975

CHAPTER TWO: CONSERVATION PROGRAMS IN OTHER CITIES

First Draft: February 13, 1975

Revised: May 28, 1975

CHAPTER THREE: BERKELEY'S HOUSEHOLDS AND HOUSING STOCK

First Draft: April 8, 1975

Revised: May 28, 1975

CHAPTER FOUR: PROPOSED HOUSING CONSERVATION GOALS & POLICIES

First Draft: April 8, 1975

Revised: May 10, 1975

CHAPTER FIVE: PROPOSED HOUSING CONSERVATION PROGRAM

First Draft: May 30, 1975

Revised: June 6, 1975

CHAPTER SIX: DIRECT AND INDIRECT COSTS OF PROPOSAL AND SOURCES OF FUNDS

First Draft: May 30, 1975

Revised: June 6, 1975

CHAPTER SEVEN: ADMINISTRATIVE STRUCTURE OF NEW HOUSING AND DEVELOPMENT
DEPARTMENT

First Draft: May 30, 1975

Revised: June 6, 1975

City of Berkeley

Housing Conservation Activities

Chronology

September, 1973 - May, 1975

September 6, 1973:	Housing Conservation Policy submitted to Council by City Manager
January 15, 1974:	Council a) endorsed Housing Conservation Policy and established housing conservation as a municipal function, b) Set up a Housing Conservation Task Force, c) Established policy and program guidelines for Pilot Rehabilitation Program, and d) Set up \$550,000 revolving loan fund for Municipal Loan Program
April 4, 1974:	First meeting of Task Force held
May 15, 1974:	Leo Sullivan, Vice President, Bank of America, was loaned to the City for three-month period to help in policy and program formation
May 22, 1974:	Letter to Urban Reinvestment Task Force of Federal Home Loan Bank Board urging consideration of \$50,000 grant (variation of NHS scheme) to help set up city-wide conservation program
June 13-August 30, 1974:	City received seven letters of commitment from private lending institutions
July 1, 1974:	Initial meeting with financial institutions.
July 8, 1974:	Housing Conservation Coordinator hired.
July 9, 1974:	Adopted by Council: a) Housing Conservation Task Force budget, b) Work program for Pilot Rehabilitation Program and budget for Pilot Rehabilitation Program.
July 23, 1974:	Adopted by Council: a) Implementation of Pilot Rehabilitation Program (designation of South Berkeley and West Berkeley areas) b) Establishment of Housing Rehabilitation Loan Fund.

August 26, 1974:	First meeting in South Berkeley neighborhood
August 29, 1974:	First meeting in West Berkeley neighborhood
September 9, 1974:	Assistant to the Housing Conservation Coordinator hired
September 10, 1974:	Council approved the San Pablo North Pilot Area
September 24, 1974:	City Council appointed the two community members of Loan Committee
October 3, 1974:	First meeting in the San Pablo North neighborhood
October 10, 1974:	Mayor appointed the two financial members of the Loan Committee
October 18, 1974:	Housing Conservation Task Force forwarded final draft of municipal loan guidelines to Loan Committee
October 24, 1974:	First meeting of Loan Committee
October 25, 1974:	Project staff received first commitment on \$7,000 loan from Bank of America
October 30, 1974:	Joint meeting of the three pilot area neighborhood councils for consideration of loan guidelines
November 11, 1974:	Final Municipal Loan Guidelines prepared by Loan Committee for submission to Council for approval
November 26, 1974:	Council a) approved the second reading of the ordinance creating the new Housing and Development Department, and b) referred the Municipal Loan Guidelines back to the Rehabilitation Loan Committee and requested that the Committee review and comment on changes suggested by Councilmember Hancock
December 17, 1974:	Adopted by Council: revised Municipal Loan Guidelines

January 28, 1975:	Received by Council: Report on the Status of all Housing Conservation Activities
February 11, 1975:	Actions by Council regarding the Community Development Revenue Sharing Application: a) referred the application to the Interim Community Development Citizens Advisory Committee for comments; and b) approved transmittal of application to the Association of Bay Area Governments (ABAG) with the understanding that there may be changes
February 15, 1975:	Community Development Application submitted to ABAG for its 45-day review
February 19, 1975:	Pilot Rehabilitation Program Task Force established to finalize the Pilot Program's operational procedures and facilitate program efforts
March 12, 1975:	ABAG approved the Community Development Revenue Sharing Application and recommended funding of application by the Department of Housing and Urban Development
March 18, 1975:	Final Council approval of slightly modified Community Development Revenue Sharing Application
March 25, 1975:	First five Municipal Loans approved by the Housing Rehabilitation Loan Committee
April 3, 1975:	Director of the Housing and Development Department was appointed
April 8, 1975:	Council accepted a \$50,000 grant from the Urban Reinvestment Task Force
May 1, 1975:	Housing and Development Department was established, consisting of the former Inspection Services Department, a part of the Planning Department, and the City Manager's Housing Conservation staff

APPENDIX C

Office of the
City Manager



CITY OF BERKELEY
CALIFORNIA

City Manager Report No. 73-70

Date: September 6, 1973

To the Honorable Mayor and
Members of the City Council

Subject: HOUSING CONSERVATION POLICY

Introduction

On February 20, 1973, the City Council declared its intent to complete the San Pablo Code Enforcement Project and requested that recommendations in this regard be prepared. The Council also asked that recommendations be submitted concerning the extension of similar programs to other areas of the City. Because of differences in the nature of the two requests, we have submitted separate reports on the San Pablo Project. This report will deal exclusively with the question of City-wide housing conservation policy.

During the course of framing a response to the Council, it has become apparent that proposals for a City-wide housing rehabilitation program should be preceded by a Council policy determination on the broader question of the City's functional role in housing conservation, of which housing rehabilitation is only one facet. This subject is complex involving consideration of finance, services, physical development, administrative organization, capital improvement programming and legal framework. The balance of this report will attempt to place the policy issue in perspective through a brief review of the problems involved in housing conservation; the potential scale of City financial responsibility implied by a significant municipal effort in this area; and a possible policy statement with implementing steps for the Council's consideration.

As used in this report, housing conservation is meant to include those governmental actions required to maintain the existing housing stock and the City's residential areas in good condition over time. Such actions may include programs to finance housing maintenance and repair through loans and subsidies; actions to foster the construction of replacement housing and/or relocation housing; provision of public improvements and services to residential areas; and, programs to encourage and promote private investment in home maintenance and improvement, including efforts to mitigate the effects of barriers to such investment.

The Housing Committee of the Planning Commission has reviewed this report in light of their on-going efforts to formulate a Housing Element of the Master Plan and a comprehensive housing action program. The Committee's comments and recommendations on this subject will be forwarded to the Council in a separate communication.

Housing Conservation and City Policy

To a large extent Berkeley is a residential city both in fact and in mind. But in common with most other aging core cities, dwellings are generally old, as are the neighborhood areas in which they are located. Particularly in the flatlands, Berkeley's citizens reside in aging structures on old streets in areas that have existed throughout most of the City's urban history.

While having many desirable attributes, older housing requires both large and timely levels of maintenance and repairs if it is to continue to provide a suitable home to its owners or occupants. Maintenance and enhancement of the public facilities and services which link dwellings into neighborhoods and support domestic life must also occur in older residential areas to conserve their attractiveness and utility as places to live.

A number of conditions exist which may affect how well Berkeley's older dwellings and neighborhoods can meet residential needs in the future. Some of these are:

- Modest or limited household incomes
- Relative scarcity of capital for home purchase and rehabilitation
- Inadequate financial support for area public facilities and services
- Difficulty of the private sector to replace dwellings that have been destroyed or are uneconomic to rehabilitate
- Escalation of external costs, such as property taxes and interest rates
- Inflation in the costs of labor and building materials

Over the years since World War II, the Federal Government has enacted legislation intended to meet some of these problems. A variety of programs in the area of residential finance were created involving mortgage guarantees, interest rate subsidies, and direct loans and grants. Grant-in-aid programs to local governments were also instituted that recognized the importance of public facilities to residential areas. The City of Berkeley has taken steps in the past to make available some of these programs to Berkeley residents.

Examples are: 1) the federally assisted code enforcement project for the San Pablo area involving some 1,200 buildings; and 2) administration of the rental of some 1,100 dwelling units under the federal leased housing program for low income families. Model Cities funds have been used to assist in the rehabilitation of a limited number of dwellings. Berkeley's citizens have been individually involved in other federal programs such as FHA and GI mortgage insurance and the State Veterans' Home Loan Program. Where the City has been involved, however, its role has been essentially passive, acting as a intermediary or administrator for federal programs. The City's regulatory activities (housing and building code enforcement) have been in operation for many years, but, in a functional sense, do not operate to conserve housing directly, but rather to correct housing deficiencies that have become severe. Indeed,

regulation alone cannot be expected to conserve aging housing where other problems of modest income, high costs of maintenance and repair, and re-structured sources of capital are present. Such appears to be the case for large number of Berkeley's older neighborhoods and has been demonstrated fully in the case of the San Pablo area.

A significant change in federal policy is now occurring which has resulted in a significant withdrawal of federal funds from housing and/or their redirection. Even prior to this policy change, however, the kinds of federal assistance available for aging neighborhoods were inadequate in scope and level of support. It appears, therefore, that local communities (and Berkeley in particular) must develop local mechanisms to meet specific kinds of local housing problems.

The kinds of actions needed to conserve old neighborhoods, the specific roles of local government, residents, landlords, lending institutions and other governments, are difficult to answer. What seems clear, however, is the need for local leadership by city government to recognize that deterioration of dwellings and neighborhoods is a public affecting the entire city. This recognition could be given substance through the adoption by Berkeley City Government of a policy that residential conservation is an appropriate general municipal function justifying the establishment of on-going specialized services, aids, and other activities to effectively meet a complex problem.

Scale of Investment

Were the City to assume a major responsibility in the area of housing conservation, a significant financial commitment will be involved. In order to provide the City with an indication of the relative size of investment involved, an initial attempt has been made to estimate costs to the City.

Rehabilitation Subsidies

Because of time constraints and data limitations, rehabilitation cost estimates have been limited to single family homes. It must be emphasized that other building types require rehabilitation or repairs. It is expected that under particular circumstances the accomplishment of such work may require some form of subsidy. The magnitude of the subsidy, for other than single family homes, is difficult to estimate, but should be attempted at a later date to more fully indicate the total costs of financing a housing conservation effort.

For single family homes, it is estimated that over \$5,000,000 in direct subsidy to low income owners is required to accomplish rehabilitation City-wide. Attachment "A" details the estimated cost for rehabilitation financed conventionally, through City-sponsored special loans, and through subsidy. The single family rehabilitation cost estimate includes both renter- and owner-occupied houses. Were the City to establish a ten-year rehabilitation goal, an approximate annual funding level of \$650,000 would be needed for subsidies to low income home owners, assuming an annual inflation rate of 5%.

Parenthetically, this estimate reveals that a large volume of consistent maintenance work is needed. Also, although there was not too much difference in the estimated total cost of rehabilitation between South and West Berkeley and the rest of the City, the need for special assistance was about three and a half times greater in South and West Berkeley than special assistance need in the rest of the City.

To the above cost should be added the cost of repair and rehabilitation of public facilities. On a City-wide basis, it is estimated that, at current prices, from \$3,000,000 to \$5,000,000 would be required for basic capital improvements in residential areas. Allowing for inflation, an annual program cost would approximate between \$370,000 and \$620,000. This estimate does not include any reconstruction of minor streets, such as in the hill area where special problems of drainage and structural failures occur. Again, these figures should be viewed not as precise cost estimates, but rather as an order of magnitude.

Administrative Costs and Implications

Assumption of housing conservation as a general function of city government requires the development of an organizational capacity to carry out the variety of tasks involved. Not only are these tasks numerous, but also are inter-related in many instances. These conditions require a coherent organizational structure to clarify responsibilities and foster effective performance, communications and coordination. Some of the major activities necessary to housing conservation are:

- Establishment of objectives and general operations policies
- Program planning, research
- Operations:
 - Creation and management of financing mechanisms
 - Organization and delivery of counselling, advisory services
 - Surveys, inspections, code administration
 - Rehabilitation process management
 - Rehousing services (relocation)
 - Intergovernmental, institutional arrangements
 - Real property management and development
- Program monitoring, evaluation
- Administration, organizational support activities

No unit of city government now exists which has either the responsibility or the resources to carry out comprehensive housing conservation and development functions. Effective performances of such functions can only be achieved by the creation of an organization specifically designed for these purposes.

The costs of such a new organization when fully operational have not been analyzed in detail. However, given the scale and complexity of the workload sketched above, an annual cost from \$350,000 to \$530,000 could be expected in addition to costs currently incurred in normal housing inspection and code enforcement.

Cost Summary

Given the above analysis, the City Council should anticipate a substantial budgetary impact for many years if a determination is made to assume housing conservation and development as a general function of city government. A program commensurate with the elements considered would require an annual investment of some \$1,240,000 to \$1,650,000*, not including any financing activities deemed appropriate for housing other than single family structures.

We are not aware of any existing, continuing funding source that is comparable to such an investment level with the possible exception of so-called "special revenue sharing." While it is expected that some form of special revenue sharing will be enacted by Congress, possibly during the 1973-74 fiscal year, the amount of funds to be realized annually is not certain nor is the number of years the program will be in effect. Mr. James Price, H.U.D. Area Office Director, was reported in the news media several months ago as stating that preliminary estimates for Berkeley under the Administration's bill amounted to about \$2,400,000 annually. Such an amount, if realized, would be the total funds available to the City under most of H.U.D.'s previous grant-in-aid programs (i.e., open space, community facilities, urban renewal, F.A.C.E., low interest housing rehabilitation loans and grants, Model Cities, etc.)**

Thus, it appears that community development revenue sharing, which leaves to the City Council the determination of funding allocations and priorities among the various categorical programs subsumed by the community development block grant, makes feasible a significant housing conservation and development effort in Berkeley.

Conclusions

Existing housing is the community's largest resource for meeting the housing needs of its citizens. In order to maintain and conserve Berkeley's residential areas a significant, sustained effort on the part of city government,

* These figures do not include seed capital necessary to establish special loan programs, which should be self-sustaining once created. Such loan programs are, of course, essential to a viable housing conservation effort.

** See Attachment "B" - chart of prior year expenditures under these programs.

financed at a level adequate to the scale of the problem, will be required. Recognizing the long-term financial and administrative implications, the City Council should determine as a matter of basic policy whether it desires to establish an essentially new function for city government. If that determination is affirmative, the following policy statements are suggested:

1. The City Council finds that substantive public actions in support of housing conservation are necessary to fully protect the health, safety, and welfare of the citizens of Berkeley.
2. As a consequence of this finding, the City Council determines that housing conservation is an appropriate general municipal function for the City of Berkeley and the City should take steps to assume continuing responsibilities in this regard; and,
3. The City Council directs the City Manager to establish a Task Force composed of the heads of appropriate departments, the Mayor, representatives of the Housing Committee of the Planning Commission, and other persons deemed appropriate by the City Manager to formulate detailed recommendations on the establishment of housing conservation functions in city government. The City Council further authorized the City Manager to expend up to \$30,000 for the purpose of technical staff support for the Task Force.
4. The City Council directs that the Task Force prepare a comprehensive report and recommendations for submission to the Council no later than May 1, 1974. Such report shall include the following subjects:
 - a. A complete analysis of the costs of a comprehensive housing conservation program.
 - b. Recommendations on the organization and establishment of an administrative structure to carry out conservation activities.
 - c. If possible, recommendations designed to insure that the City meets all requirements associated with the Special Revenue Sharing Program.
 - d. Analysis of and recommendations for maximizing utilization of any state or federal financial assistance programs for housing conservation.
 - e. Review of and recommendations concerning the use of non-governmental sources of financing housing conservation.
 - f. Recommendations on the content of a program to implement housing conservation functions reflecting proposals from the Housing Committee of the Planning Commission as to program operations policy assumptions.

5. The Housing Committee of the Planning Commission is directed to formulate suggested policies to guide housing conservation program operations (i.e., financial assistance eligibility and priority questions, mandatory/voluntary program alternatives and guidelines, rehabilitation standards, etc.) and so advise the Task Force to assist in the preparation of the above comprehensive report.

PAUL H. WILLIAMSON
Acting City Manager

Attachments

ATTACHMENT "A"

Rehabilitation Needs

Personnel from the Inspection Services Department have undertaken exterior building condition surveys for a random sample of properties as part of the 701 housing studies conducted by the Planning Department. This survey included estimates of repair costs for the buildings evaluated. Experience in the San Pablo area where both exterior surveys and detailed interior inspections have occurred provide a basis for the formulation of rehabilitation cost estimates citywide. Such estimates are a crude measure of the scale of rehabilitation needed generally from which levels of local public support required can be identified.

For the purpose of this report, only rehabilitation costs for single family homes have been considered. Duplexes and apartment buildings also require varying levels of rehabilitation or repairs, the costs of which have not been identified.

Estimated Cost of Rehabilitation/Repairs
Single Family Homes

<u>Financing Source</u>	<u>South & West Berkeley</u>	<u>Remainder of City</u>	<u>Total</u>
Direct Subsidy	\$4,000,000	\$1,200,000	\$5,200,000
Special Loans	7,900,000	1,700,000	9,600,000
Sub Total	11,900,000	2,900,000	14,800,000
Conventional Loans	14,500,000	16,100,000	30,600,000
TOTAL	\$26,400,000	\$19,000,000	\$45,500,000

There are several significant aspects about the figures in the above table:

- . A large volume of work to rehabilitate or repair just single family homes is needed.

- . While much of the work can be accomplished by owners through conventional financing sources, special financing programs involving large amounts of capital are required for many properties.
- . A higher degree of need for special assistance exists in south and west Berkeley.
- . A significant need exists for direct subsidy to property owners if necessary repairs and rehabilitation is to take place.

ATTACHMENT "B"

FISCAL YEAR EXPENDITURES FOR CITY PROGRAMS WHICH ARE INCLUDED IN PROPOSED COMMUNITY

DEVELOPMENT REVENUE SHARING LEGISLATION NOW BEFORE CONGRESS (1)

	68-69	69-70	70-71	71-72	72-73	73-74
F.A.C.E.						
Fed.	-	323,800	724,300	451,135	195,350	-0-
City	142,300	-	27,592	382,000	141,450	-0-
OPEN SPACE						
Fed.				-0-	183,000	-0-
City	225,000	124,500	174,500	-0-	300,000	-0-
HOUSING CITIES						
Fed.			126,000	384,316	1,528,000	898,000
City		15,500	38,430	39,230	18,000	-0-
UPPER MERIDAL (2)						
Fedev. Agency						
Fed. - Rede.		322,100	679,500	956,100	911,900	1,650,000
City (Incl. in (1))		20,000	12,800	15,000	20,000	32,000
	562,700	890,400	1,790,122	2,227,781	3,297,700	2,580,000

* Total Project Expenditures

(** Information from Budget Analyst 6/1/73)

(1) Estimated Berkeley Allocation under "Better Community Act" - Community Development Revenue Sharing \$2,482,000.

(2) A revised third year Neighborhood Development Plan (NDP) was submitted on June 16, 1973, to the U.S. Department of Housing and Urban Development by the Redevelopment Agency. This application indicates a \$2,000,000 funding need beyond June 30, 1974, of which \$1,149,000 is projected as a Federal grant. When Community Development Revenue Sharing is enacted, the City Council will assume funding allocation responsibilities for any urban renewal project, as well as other affected grant-in-aid programs, within the dollar limitations of the annual block grant available.

CITY OF BERKELEY
CONSENT CALENDAR INFORMATION

REQUIRED COUNCIL ACTION

Referring Berkeley Housing Rehabilitation Program to the City Manager, the Housing

Conservation Task Force, the Planning Commission, the Planning Commission Housing Committee,

and the Community Affairs Committee Housing Task Force.

EXPLANATION:

1. The need for Council action, and the department or departments involved

The Council has long been aware of the need to develop a program for housing rehabilitation that would include necessary safeguards to protect landlords and tenants from increased costs leading to higher rents.

My staff and I have discussed this problem with housing experts and developed the attached first-stage Housing Rehabilitation Program as a means of eliminating hazardous conditions in Berkeley housing.

I would like to see the program reviewed by city staff and by the proper boards and commissions with the Council receiving their recommendations.

I move that the Housing Rehabilitation Program be referred to the City Manager, the Housing Conservation Task Force, the Planning Commission, the Planning Commission Housing Committee, and the Community Affairs Committee Housing Task Force for their comments and recommendations for Council action.

2. Financial implications3. Source of funds4. Council policy, if any5. Legislative history or hearings6. Community groups affected7. Person or persons to contact for further information

Ilona Hancock

Date: June 25, 1974

Berkeley Housing Rehabilitation Program

This communication describes in detail a proposed first-stage housing rehabilitation program for Berkeley.

The purpose of the program specified below is to improve the quality of housing in which Berkeleyans live without raising housing rents or prices beyond the means of current residents. A variety of city actions, though only a limited amount of city spending, are proposed as the primary means of implementation.

The main goal of this first stage is to eliminate hazardous conditions in Berkeley housing. This will be achieved by assisting in identifying dangers and financing repairs, with residents protected from other than minimal added costs.

The structure of the proposed program is as follows (in each case there is a program element followed by a short explanation):

I. Establishment of Rehabilitation Districts

One or more rehabilitation districts would be selected by the City Council as places to begin the repair effort.

This selection would have as its two criteria the condition of the areas' housing and the interest of the residents. Areas known to have the city's worst housing conditions -- as recommended by the Inspection Services Department from their previous inspection experience, the recent Condition Survey, and any necessary additional sample investigations -- would form a tentative list. From these would be selected the areas which have substantial citizen support for the repair program, as determined by public discussions between the Council and area residents.

For citizens and buildings not in designated districts, present code in-

spection and enforcement procedures would continue to be followed.

Explanation

The program is designed to remove hazards in housing, so that it should begin in areas where numerous and significant hazards exist. Any repair program needs citizen cooperation, so that it should go first where residents want it while further support develops elsewhere.

II. Treatment of Housing Types

Within designated rehabilitation districts, all rental housing would be required to participate in the program, and all owner-occupied housing would be eligible on a voluntary basis.

Explanation

Tenants, largely unable for a variety of reasons to make their own repairs, should be protected from dangerous housing whether landlords wish it or not. Owner-occupiers are in a position to control their own housing quality, given financial constraints. They could volunteer to receive financial assistance in exchange for meeting repair standards.

III. Treatment of Rental Housing

A. Determination of Repairs to Be Made

In this program all hazardous conditions (and only such conditions) would be required to be repaired. Non-hazardous housing code violations would be noted for possible future information use.

Each rental unit within a rehabilitation district would be visited by a rehabilitation counselor. He or she would make a determination of what, if any, conditions constituted hazards. This determination would be based on standards prepared by Inspection Services (as in Appendix A

of the pilot rehabilitation program). In each case the hazards list would be reviewed with both tenants and landlord to see if they know of any special conditions or problems which should be added to the list. A final hazard list would then be prepared.

Rental housing would be defined to include co-ops.

Explanation

Doing all necessary rehabilitation of Berkeley housing is a very large and long-term task. It makes sense to begin by removing dangerous conditions as widely as possible.

Rehabilitation counselors, rather than regular inspectors, are appropriate to such a program since they avoid legal obligation to report and order corrected non-hazardous violations of the housing code. They should consult with tenants and landlords because the latter groups may best know of acute problems specific to the rental unit.

B. Financing Repairs -- General Concept (to be detailed in III C, D and E)

Costs of repairs would be financed by joint city-landlord efforts. Tenants would be protected from all but very modest rent increases. Landlords would absorb those repair costs which they could afford (on a case by case basis given rent levels) while still earning normal returns on their investment. The city would arrange to eliminate whatever gap existed between total repair costs and what tenant and landlord can afford, but primarily by means other than direct city subsidy.

Explanation

Generallly tenants in hazardous housing live there because they can't afford rents in better units. The purpose of the program is to repair the housing without further burdening or forcing out Berkeley's low income residents.

Landlords would contribute to repair costs in cases where they have been making abnormally high profits. The City, which has declared a public interest in rehabilitating its citizens' housing, would assist financially using means outlined in V.

C. Financing Repairs -- The Tenants' Role

Rent increases based on costs of repairing hazards would be limited to 2% of current rent (less if repair costs could be amortized for less). Increases would be regulated by the rent control mechanism outlined in II F.

Explanation

Most Berkeley tenants already pay high rents relative to their incomes. This is particularly true of the typically low-income residents of rental units containing significant hazards (76% of Berkeley's renters earning less than \$10,000 per year and 94% of those earning less than \$6,000 paid more than HUD's standard of 25% of income for rent in 1970). They should suffer no substantial added burden.

D. Financing Repairs -- The Landlords' Role

1. Landlords should absorb whatever part (0% to 100%) of repair costs leaves them earning 8% annual return on equity, given maximum 2% rent increases and including all forms of income generated by the building (see formula specified in III D 2).

Landlords (with exception to be noted immediately below) would be expected to provide necessary records of the revenues and costs of their rental housing. Landlords could decline to provide records, but then they would not be eligible for any financial assistance.

Landlords owning four rental units or less and having incomes below \$10,000 would not be expected to have maintained all necessary

records. They would be assumed to be earning no more than normal returns and would be expected to absorb no part of the repair costs beyond that passed on to tenants.

Explanation

The city should assist landlords who need help to make repairs, but not those who have earned high profits while failing to correct hazardous conditions. Eight per cent is a reasonable return for buildings whose useful life (and hence earning life) and rentability have been enhanced by city-sponsored repair programs.

Small, low-income landlords must be treated with special fairness, which is difficult when record-keeping is typically incomplete for the needs of this program. It is reasonable to assume that such people are earning no excessive returns.

2. Determining the Landlords' Share -- The Formula

a. The landlord's share of repair costs (excepting the small landlord as above) would be established so that total revenues minus total costs -- with costs including principal and interest on the repair loan -- provide eight per cent return on equity.

Return would be calculated over the period beginning five years prior to rehabilitation (or at present owner's time of purchase, whichever is later) and extending five years into the future with appropriate time discount.*

Revenues would consist of rents received and the value of tax deductions for depreciation.

Costs would consist of expenditures for normal maintenance, operation, utilities paid by landlord, property taxes, other fees,

insurance, management, income taxes, interest (but not principal) on mortgages other than the repair loan, ** and amortized cost plus interest of rehabilitation repairs.*** Documentation would be required.****

Equity would consist of initial downpayment plus payments on principal of other than the repair loan, less any equity removed by refinancing.

Because payments on principal are properly not considered costs, landlords with low equity might be allowed less profit than is needed to make full principal payments out of current cash flow. In such cases, they would be allowed (if they wished) current returns adequate to cover full mortgage payments. The extra profit earned, plus eight per cent annual interest,***** would be due back to the city at the time of property transfer through sale or death.

Co-ops would be treated (in these computations) as though they were landlord-owned apartments, so that savings accruing because of the co-op structure would be passed to tenants as lower rents. To assure that such potential savings not be capitalized into sales prices of buildings sold to co-ops, city loans would not be available to co-op paying more than the market value for a private landlord, as estimated by three independent appraisers.

Explanation

Basically this is a detailed restatement of III D 1. Explanations of some individual items within follow .

*By calculating returns over ten years, landlords who earlier

earned high profits by doing little maintenance are not rewarded, landlords who earlier earned low profits by doing much maintenance are not penalized, and equalization is spread over a number of future years.

**Principal payments on mortgages are not included as costs because in fact they are profits, establishing assets for the landlord.

***Principal, as well as interest, on repair loans is included as a cost since the repair cost payments, not being reflected in increased profits, generate no new asset value.

****Where cost documentation is unavailable because landlords have done their own maintenance or management work, their time would be valued at market rates and their hours checked against documented averages.

*****Eight percent return is allowed on the equity, which is in effect properly the city's money loaned to the landlord, so that eight per cent should be paid for its use.

b. Symbolically, the formula would be:

$$\sum_{t=-5}^{+5} \frac{.08 E_t}{(1+.08)^t} = \sum_{t=-5}^{+5} \frac{R_t - C_t + D_t}{(1+.08)^t}$$

where E_t is equity at time t , R_t is rents, D_t is value of the tax deduction for depreciation, C_t is costs, and 1.08 is the time discounting factor.

Note that no prediction of future costs would be necessary since rents would always be adjusted to exactly cover cost changes. Future value of depreciation deductions would be based

on average tax bracket in the previous five years. Future equity and interest cost would be based on financing used at the time of rehabilitation (including any city-sponsored refinancing at that time), with no future adjustment in landlord share or rent levels for further refinancing.

Operationally the city would, at the time of rehabilitation, adjust C by selecting financing and refinancing terms so that equality in the formula held.

E. Financing Repairs -- The City's Role

The city would be responsible for eliminating the gap between repair costs to be absorbed by tenant and landlord (as specified in III C and D) and total costs of eliminating hazards. This would be accomplished by making available a variety of low and zero interest loans, loan guarantees, and refinancing opportunities to landlords and housing cooperatives, as detailed in V.

Explanation

The city simply selects that set of assistance mechanisms which reduce monthly payments needed to amortize repair costs to the amounts tenants and landlords are intended to absorb. It does this because of its commitment to housing rehabilitation and its desire to meet standards of equity given in III C and D.

F. Controlling Rents

At the time an area is declared a rehabilitation district, rents on all rental units would be rolled back to their levels one year earlier. Increases or decreases would then be allowed immediately for ordinary cost changes having occurred during that year, and subsequently for future ordinary cost changes. In addition, as specified above, up to 2% increases would be allowed for hazard repairs, depending on the actual cost.

Rent controls would remain in effect in rehabilitation districts permanently. They would be administered by an appointed rent control board, whose responsibility would be merely to monitor and review evidence of cost changes. Board decisions would be appealable to the City Council.

Explanation

Rent control is necessary to see that the costs of repair obligations are not transferred completely to tenants -- thus defeating program goals. Repaired housing could be rented in the market at higher cost, but must instead be kept affordable to present residents.

Regulation must be permanent to prevent transference of repair costs at later dates. It is nonetheless limited regulation, applying only to designated districts with bad housing conditions and low-income residents. Regulation cannot be further limited to only units containing hazards, since otherwise large-scale landlords with access to financing might well do their own repairs in advance of the rehabilitation counselor's arrival, and pass on the costs to residents. Nor can it be limited to landlords receiving assistance, since again wealthy landlords could and would do their own repairs and pass along the costs.

Rollback is necessary to prevent landlords from guessing when their area will become a rehabilitation district and then temporarily artificially raising rents, or doing repairs and raising rents, to establish a high base rent when the program does arrive. San Francisco's new rehabilitation program also recognizes the problem and provides for rent rollback.

IV. Treatment of Owner-Occupied Housing

A. Determination of Repairs to Be Made

Program and explanation would be identical to that in III A for rental

housing, except that program participation would be voluntary and there would be no tenants to consult.

B. Financing Repairs -- General Concept

Homeowners would not be forced to pay very high proportions of their incomes to meet housing costs including those of hazard repair. The city would arrange to eliminate gaps between repair costs and what owners can afford, but primarily by means other than direct city subsidy.

Explanation

As in III B.

C. Financing Repairs -- Formula

Low-income homeowners would not be expected to pay more than 25% of their incomes for all housing costs including hazard repairs, or whatever percentage they are paying now, whichever is greater. Costs would consist of mortgage payments (principal and interest), maintenance, insurance and 8% imputed return on equity (balancing the interest payments of those with less equity). The city would be responsible for eliminating the gap between any additional costs the owner could absorb under these standards and the total costs of repairing hazards, using methods as detailed in V. Higher income homeowners would pay part of the cost beyond 25% or present percentage of income, with the city again picking up the rest.

In particular, for a household of four:

The city would provide for 100% of costs beyond 25% or present percentage of income if the household's income were \$12,000 or less. Where household incomes are higher, the city's share of repair costs beyond the standard would be as in the chart below.

Family Income	Percentage of Costs Covered by the City
\$12-13,000	80%
\$13-14,000	60%
\$14-15,000	40%
\$15-16,000	20%
over \$16,000	0%

Each income level would be revised up or down by \$2,000 per person for variations in household size.

For owners who live in one part of their building and rent out another, the difference between total annual costs for the building (including 8% of total equity) and rent on the rented portion would be calculated. Rehabilitation assistance would be provided so that this difference was no more than 25% of total income from all sources (or again the owner's present percentage, whichever was greater).

Explanation

25% is HUD's tough but feasible standard for housing costs as a share of income in projects it assists. Low and moderate income homeowners should cover their own costs up to that level but no more. Such homeowners already paying more than 25% should have no added burden. Higher income homeowners can afford housing expenditures beyond such percentages because they are still left with substantial income for other uses.

Households of different sizes obviously have different non-housing living costs and should therefore be expected to meet different housing cost standards.

D. Transference of Financing

Financial assistance made available to homeowners making repairs would be available to future buyers or inheritors of the homes, provided they met income standards in C. This would allow the improved housing to remain in the hands of people of modest means even after the current owners depart.

Explanation

Housing rehabilitation programs should not lead to reduction of the housing stock low and moderate income people can afford in the long-run any more than in the short. If financial assistance is continued at sale, and this is made known to potential buyers, people of modest means will be able to bid for the rehabilitated homes. San Francisco's program follows this practice for properties transferred at death, and it could be readily enough expanded to sale transfers.

V. Provision of Financing Mechanisms

A variety of effective financing mechanisms, listed below, can be made available to limit repair costs to levels tenants, landlords, and owner-occupiers can afford (by standards specified above). Most of these involve little or no cost to the city, but require city action to bring them into operation. Any or all could be used to finance this proposed rehabilitation program.

A. Provision of Ordinary Repair Loans

Some property owners could afford hazard repair costs with no assistance if repair loans were available to them at normal interest rates and maturity terms. The city would use its powers of persuasion, evidence of its commitment to rehabilitation in specific neighborhoods, and the pressure of legal obligations to make such loans available from financial institutions in areas where presently they are not.

Explanation

Substantial areas of Berkeley are "redlined" by financial institutions -- loans being totally unavailable or available only at high interest and short term. Jack Atkins, Director of Inspection Services, believes that this is the case in most of Berkeley west of Grove Street. The city's

serious commitment to various rehabilitation actions in redlined neighborhoods might encourage the institutions to make ordinary loans. SAMCO, an association of East Bay savings and loans, indicated willingness to provide bankable loans in the FACE neighborhood and might extend its commitment. The Federal Home Loan Bank Board has issued regulations prohibiting loan mistreatment of whole neighborhoods -- regulations which might be used as the stick to go with a variety of carrots.

B. Refinancing

The city would use the powers listed in A to obtain refinancing of existing mortgages in rehabilitation districts.

Explanation

Some property owners have substantial existing mortgages at unfavorable terms, because of the "redlining" situation discussed in A. They could obtain substantial savings, enabling them to take on additional loans for repairs without raising total costs, if most or all of their entire mortgages were refinanced at standard market terms. Jack Atkins believes the number of properties which could be handled in this way is very substantial.

C. City Guarantees

Where tools of persuasion listed in A are inadequate to draw out favorable repair and refinancing loans, the city would guarantee loans made to individuals.

Explanation

Following existing programs in Fresno and elsewhere, the city would guarantee only the top part of the loan by placing money equal to a small percentage of the loan in a reserve fund. Later, equity paid in by the loan recipient would suffice as a guarantee, freeing the city reserve

to guarantee further loans. The city should have little actual payout, s if the mortgage was defaulted on, the lender would have a rehabilitated property to sell and the city would need to meet only the differential between selling price and mortgage.

D. City Loans

The city would sell general obligation or revenue bonds or borrow directly from financial institutions and loan the proceeds (at below market interest rates) to people repairing property. Again the loans could either just to cover repair costs or to include further savings-generating refinancing.

Explanation

In some cases, the financial condition of residents and owners will require savings beyond those provided by market rate financing. Since lenders pay no federal taxes on loans to municipalities, they would be willing to lend to the city at significantly reduced interest rates (4-4½ Atkins believes). These savings could then be passed to rehabilitation program participants, with perhaps some fee to cover loan service and bad debt reserve costs. San Francisco and Norfolk, Virginia are among the cities already using this mechanism. The Bank of California, Bank of America and Wells Fargo Bank have all expressed interest in working with Berkeley in this way.

E. Pension Fund Loans

Various public pension funds, which normally earn less than real property loan rates of return, could be invested in local repair financing and mortgage refinancing at corresponding reduced interest rates.

Explanation

The city, county and university all have pension funds historically earning modest returns. The city could urge its own Pension Board, the county and particularly the university (with its huge fund and proclaimed interest in local housing problems) to invest to meet local needs at no reduction in return.

F. Cooperatives

The city would enable tenants to purchase rental property for cooperative ownership, by providing 100% or nearly 100% financing at favorable interest rates. This would provide significant savings to tenants, particularly property taxes, which could be applied to making repairs without raising total housing costs.

Explanation

Cooperatives are eligible for property tax exemptions which rental property is not -- currently \$1,750 of assessed value per unit per year, worth nearly \$300. State subventions restore lost taxes to the property-taxing agency, so the cooping advantage is free to the city. Cooperatives also remove the need for rent controls in cooperatively zoned units.

Tenants typically lack down-payments. They could be aided by near 100% loans at low interest rates through mechanisms specified above. So FHA 213 and 221d-4 money may also be available. (Further financial advantages of coops are outlined in the paper Low and Moderate Income Housing: A Proposal for Local Communities, by Edward M. Kirshner and Eve Bach, previously submitted to the Berkeley City Council.)

G. State Financing

The city would use in its local rehabilitation program state-funded low interest loans, proposed in legislation now pending, as they become available.

Explanation

Bills are pending in both houses (McCarthy, Gregorio) for $3\frac{1}{2}\%$ interest housing rehab. loans, with substantial chance for passage. Under both bills, allocation of funds to localities is not specified, but would be made after application on the basis of need and ability to run a successful program. If Berkeley were already operating local program, its claim on these funds would be increased.

H. Federal Financing

The city would take full advantage of any federal financing which became available.

Explanation

Congressional bills contain at least temporary extension of some relevant categorical housing programs.

I. Deferred Payment Loans

The City would make deferred payment loans to those with little or no ability to afford repair costs. These loans would be at zero interest, and the principal would be repayable at the time of the owner's death or sale of the property, whichever came first. Loan fund sources would be as listed above.

Explanation

In some cases, previously mentioned mechanisms will still not be adequate to cover repair costs given the program's ability-to-pay standards for residents and owners. The deferred payment loan makes money available at no monthly cost. Increased property value through repair protects the owner from loss at sale.

This mechanism does require direct city subsidy to cover interest costs. But it avoids unnecessary transfer of city funds to people who might sell their buildings for subsidized capital gains which might result

under a system of direct grants. Eventually, loan principal is recaptured for reuse.

J. Tax Allocation Districts

The city could create tax allocation (increment) districts in rehab. districts, so that property taxes on improvements could go back into paying for these improvements.

Explanation

This program element also involves some city cost relative to other means of repair financing, since no increased property taxes are gained. On the other hand, without a rehab. program, those increases would not have been available in the first place.

K. City Powers to Make Repairs

The City would be empowered to repair hazards itself in cases where landlords refused to act promptly. Loan funds to cover costs would come from sources listed above, and repayment would come from liens against the landlords.

Explanation

The program needs an enforcing mechanism for its mandatory section on rental housing, but it should be one that results in repairs occurring rather than buildings being vacated or punishments alone being meted out. The mechanism proposed here already operates on a small scale in Berkeley to repair imminent hazards, using general revenue funds under the direction of Inspection Services. Jack Atkins reports no difficulty in collecting liens.

VI. Provision of Relocation Assistance

A. Permanent Relocation

Some housing units will not be feasibly repairable and will be demolished and replaced, either because they are physically beyond repair or would cost more to repair than to replace. Persons displaced by the

city program would already be assisted in finding standard housing at reasonable cost, according to the Berkeley General Relocation Plan.

Provisions of that plan would be strengthened, to require relocation within Berkeley if so desired, pay for moving costs, and compensate for any increased housing costs.

Explanation

People living in the worst (unreparable) housing, probably with the lowest incomes, should suffer no financial burdens from a program of upgrading and should not be pushed out of Berkeley.

B. Temporary Relocation

The existing Berkeley General Relocation Plan, which calls for temporary relocation if (1) there is imminent danger at the current residence and a permanent relocation location is not immediately available or (2) repair work is to take considerable time and/or to seriously inconvenience an occupant, would be implemented. The second criterion would be evaluated by the occupant. Additionally, moving costs and temporary housing cost increases would be paid for by the city.

VII. Replacement

The existing Berkeley General Relocation Plan requires one-for-one replacement (by the city) of all low and moderate income housing lost because of city action. Replacement can be by new construction or by making standard a substandard unit.

This plan would be strengthened by requiring replacement through new construction or repair of a previously uninhabitable and uninhabited structure. Financing mechanisms listed above would be used to achieve low to moderate pricing, with the housing to be owned by cooperatives.

Explanation

If low and moderate income units are demolished, the total stock

of such units is diminished. "Replacing" them by merely upgrading units already inhabited by people of limited means leaves the total number of living places for such people reduced, in conflict with the goals of this program.

VIII. Additional Specifics of Program Operation

A. Operation within Rehab. Districts

Program implementation within a district would be on a block by block basis, with each landlord being required to participate and each homeowner becoming eligible when his or her block is reached.

The first blocks selected would contain housing better than the worst in the district, so that some repair could begin there while the very worst cases receive some preliminary examination.

B. Reinspections and Duty to Keep in Good Repair

Reinspections of properties found with hazards would occur annually, at least for the first two years. Other properties would be reinspected in 1, 3, or 5 years depending on condition. Landlords and homeowners would be expected to keep their properties free of hazards at their own expense once buildings have been made hazard free.

Explanation

Properties with hazards have apparently not been well-maintained in the past and require frequent reinspections, especially to insure that any city investment is not wasted by failure to maintain.

Once city involvement has helped free properties of hazards, owners should not be allowed to let the benefits be lost, nor should they expect repeated repair assistance where ordinary maintenance would suffice if not neglected. Property owners with already hazard-free buildings should not be allowed to let them fall to disrepair with expectation of city assistance. (Recent state court and legislative actions have specified landlord responsibility, implied by any rental agreement, to keep premises

in habitable condition).

C. Staffing

1. Initial staffing would be a program developer-coordinator and then when the program is ready to function, the number of rehab. counselors corresponding to selected initial program size, plus appropriate clerical support. Required research and data provision would come from existing sources in Inspection Services and Planning.

2. Staff responsibilities would be to implement the housing repair program detailed above by making inspections and advising participants on repair needs and costs, determining allocation of financial burdens, delivering financial assistance, assisting in actual repairs, cooperating with rehab. district citizen groups in applying and advising these procedures, and seeking additional funding sources.

Explanation

Additional staff is to be oriented toward provision of services, with other support and review tasks handled by appropriate existing departments. Jack Atkins reports he will need little if any additional staff to develop program cost estimates and help select districts using mainly existing data. Some of the rehab. counselors could be Inspection Services inspectors, relieved of their policing roles.

D. Affirmative Action

Contractors doing repair work on city-assisted buildings would be required to meet affirmative action guidelines for contractors to the city directly.

IX. Citizen Participation in the Program

A. Creation of Rehab. District Committee

In each rehab. district a citizen committee of size nine would be created, consisting of tenants, landlords, and owner-occupiers in proportion to their numbers in the district. All those who volunteered would be on the committee, except where volunteers exceeded seats available for any group. In that case elections would be held, with all tenants, landlords, and owner-occupiers over 18 years of age eligible to vote.

Explanation

Any neighborhood rehab. effort needs the organized cooperation and guidance of the neighborhood. The selection process assures fairness while minimizing waste of energy. It follows the pattern of San Francisco's program.

B. Duties and Powers of the Committee

1. The Committee would assist city staff in all aspects of encouraging cooperative participation in the district's rehab. program.

2. The Committee would hear and rule on appeals from tenants and owners concerning items listed in a and b below. Alleged deviations from program standards would be required as grounds for appeal, and appeals would be decided on the basis of these standards.

- a. Financial burden allocations. Program participants could appeal staff decisions on what costs would be allocated to owners, tenants, and city.

- b. Relocation assistance. Persons to be relocated could appeal staff decisions on what constitutes adequate relocation housing and relocation assistance.

- c. Decisions by the Committee in a and b would be final, except for court action based on deviation from program standards.

Explanation

These decisions are essentially very local matters based on explicit City Council standards and would be handled most effectively in the Rehab. District Committee.

X. Program as a Package

If the budget for some elements of the rehab. program is exhausted in a given year, units (people) that require those elements will not be forced to participate until further funding is available. The program would continue for housing requiring only the elements which have not run out of money, and for voluntary participants.

Explanation

The city's inability or unwillingness to allocate funds should not result in worse treatment of citizens than deliberately outlined in the rehab. program.

XI. Review

A detailed review of the effects of the program would be begun one year after adoption, and the City Council would review and amend as desired after 18 months. Costs to tenants, landlords, owner-occupiers, the city, and others; number or repairs, demolitions, relocations, and replacements; distribution of the above; problems of participants and affected non-participants; and problems of administrators would all be recorded and examined at review time. Consideration of upgrading beyond elimination of hazards could also be made at that time.

Explanation

A number of elements of this program are new to Berkeley, although practiced elsewhere; and some have not been joined together before. Therefore careful review, culminating after the probable six month start-up period, would be appropriate.

PLANNING
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ZONING OFFICER



CITY OF BERKELEY
CALIFORNIA

HOUSING COMMITTEE OF THE PLANNING COMMISSION

May 13, 1975

To: Housing Conservation Task Force
Subject: Housing Conservation Program Policy

The role of the Housing Committee in developing a city-wide housing conservation program was established by the City Council in its Housing Conservation Policy (City Manager 73-70, January 16, 1974). That role is specified as follows:

"The Housing Committee of the Planning Commission is directed to formulate suggested policies to guide housing conservation program operations (i.e. financial assistance eligibility and priority questions, mandatory/voluntary program alternatives and guidelines, rehabilitation standards, etc.) and so advise the Task Force to assist in the preparation of the above comprehensive report".

In fulfillment of this directive we are submitting the attached draft of Housing Conservation Policies. We respectfully request that a meeting of the Housing Conservation Task Force be convened as soon as possible with this draft report as the major item on the agenda. We further request that Neil Mayer, our representative to the Task Force be allowed to make an oral presentation on this report.

Sincerely yours,

Henry Pancoast
Henry Pancoast
Chairperson

PLANNING
COMMISSION

Taylor Culver

PRESIDENT

Ruth Brunn

VICE-PRESIDENT

THOMAS F. PEAK

SECRETARY

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ZONING OFFICER



CITY OF BERKELEY
CALIFORNIA

May 12, 1975

HOUSING COMMITTEE OF THE PLANNING COMMISSION

HOUSING CONSERVATION POLICIES

Housing Conservation is the process of upgrading maintaining, and augmenting the existing housing stock through direct or indirect actions of the City, to ensure the availability of decent, standard housing in pleasant neighborhoods for all residents of Berkeley at an affordable cost.

MINIMIZING DEMOLITION, MAXIMIZING STANDARD BUILDINGS SHOULD BE THE CRITERIS USED TO EVALUATE SPECIFIC PROGRAM PROPOSALS.

Rehabilitation

1. Rehabilitation should be concentrated on the areas of worst housing in the City.
2. Rehabilitation should be performed at two levels: (a) Removal of hazards, and (b) compliance to housing code or higher.
3. For each area chosen for rehabilitation, removal of hazards is mandatory.
4. For each area chosen for rehabilitation, rehabilitation for code compliance is mandatory for those landlords who can afford the repairs.
5. Financial assistance for hazards removal should be available to those who cannot afford it.
6. Hazards removal should be achieved for the entire City before financial assistance is made available for additional rehabilitation.
7. Owner occupants should be encouraged to rehabilitate their homes on a voluntary basis. However, hazards removal is mandatory, with assistance if necessary.
8. A special set of procedures should be established for the elderly who may be incapable of coping with rehabilitation and hazards repairs.
9. For rental property: Tenants should be protected from all but very modest

rent increases. Landlords should absorb those repair costs which they can afford (on a case by case basis given rent levels) while still earning normal returns on their investment. The City should arrange to eliminate whatever gap exists between total repair costs and what tenant and landlord can afford, but primarily by means other than direct city subsidy.

10. For tenants and single family owner occupants: Affordability should be set as a percentage of income. Lower percentage should be set for lower income households and for larger sized households. For those already paying a higher percentage than that set by the above, the shelter payment should continue at the existing level.

11. Resident landlords (those who live in rental property) should be treated both as a landlord (affordability based on normal returns) and as a homeowner (affordability based upon a percentage of income).

12. Tenants who cannot afford it should be protected against rent increases whether rehabilitation is mandatory or voluntary, and regardless of whether the City provided assistance or not.

13. An emergency fund should be utilized to provide hazards repairs in emergency situations.

14. Prior to program implementation, the City should engage in an intensive publicity campaign to inform citizens of the program and to generate maintenance surveillance.

15. Citizens should be enlisted to cooperate with the rehabilitation program, and be given a vital role in program implementation.

16. Prior to program implementation, the City should survey the concentrated rehab area to achieve the following:

- (a) collect the necessary information
- (b) acquaint the public with the program
- (c) establish the service role of the program

17. Initial survey personnel should be service oriented and be a separate division of the Housing Department - separate from Inspection Services - the regulatory arm.

18. Inspection Services personnel should be utilized to enforce housing codes: (a) Citywide on the existing complaint basis as before the program, and (b) to enforce code compliance in those few cases of owners who are recalcitrant and can afford to rehabilitate.

19. Although banks should primarily be encouraged to provide loans for rehabilitation throughout Berkeley, the City should develop a set of policies designed to make it mandatory for banks located in Berkeley to contribute to a loan fund (at commercial rates) for rehabilitation.

20. Rent Control:

- By a vote of 5-4, the Housing Committee approved the following policy:

"The City should implement citywide rent control which would define the obligations of both tenants and landlords".

- Three of those voting against the above policy, were in favor of the following policy:

"Control rent of properties that are publicly assisted in the conservation effort for the life of the assistance".

- One person was not in favor of either.

Relocation

I. Permanent Relocation

- A. If actions of the Housing Conservation Program result in displacement of households, the City should:
 - 1. Provide direct services such as locating comparable housing, escort service, counselling, etc., to all;
 - 2. Provide financial assistance to those households who cannot afford to move. Affordability policies as expressed under rehabilitation policies would apply.
 - 3. Relocate within Berkeley if the relocatee prefers.
- B. Standards for financial assistance should be made explicit under a revised relocation plan.
- C. Standards for relocated housing should conform to those established under state and federal relocation guidelines, as expressed in the General Relocation Plan.
- D. In cases where relocation is required, the specific project should not commence until relocation of the households has been accomplished.

II. Temporary Relocation

- A. Temporary relocation should be provided for residents of rehabilitatable housing requiring repairs which seriously interfere with day to day living.

The following will apply:

- 1. By temporary, is meant no longer than three months. Extension of this time limit should be determined on a case by case basis.
- 2. No household should be forced to pay double rent as a result of

repairs. Consequently, financial assistance for rent beyond the normal rent should be provided.

3. Temporarily displaced households should have the right of first refusal on the rehabilitated unit.

III. Relocation assistance should be provided to households displaced by private housing conservation actions. Households so displaced may utilize the services apparatus of the City and may appeal to the City for financial assistance in the case of need.

IV. Rights of Relocate

A. Relocation grievance machinery should be set up in order to provide an avenue of appeal by households to be displaced.

B. Displaced households should be furnished all the pertinent information regarding eligibility, their rights, their participation, etc., until they have satisfactorily been relocated.

V. Evaluation of the housing conservation program should include an evaluation of the effectiveness of the relocation process. Such an evaluation should be made annually.

New Housing

1. New housing (replacement and additional) in existing neighborhoods is an integral part of a housing conservation effort.

2. New housing should replace existing structures when it is more expensive to rehabilitate the existing building than to build a new structure with the same type and number of units.

3. In cases where rehabilitation is preferable but the owner doesn't wish to, the City should be prepared to intervene by acquisition, rehabilitation and resale on appropriate occasions.

4. When demolition followed by replacement is indicated by the above standard, one for one replacement, as a minimum is required.

(a) In the case of demolition of units for low and moderate income households equal numbers of replacement units shall always be provided for low and moderate income households.

- (b) The City should subsidize new construction for low income families by utilizing state and federal subsidy programs.
 - (c) The City should subsidize new housing for low income families by such mechanisms as land writedowns, fostering coops, interest subsidies, and other financing techniques.
 - (d) Replacement housing should be offered first to those displaced.
5. The City should acquire vacant parcels in order to:
- (a) Build housing primarily to provide temporary quarters to displaced households.
 - (b) Provide locations to move in residential buildings for resale to the public.
6. Moderate density housing in appropriate locations should be encouraged.
7. Except for the constraints established by the housing conservation effort, the City should encourage private investment in rental housing development.

Continuing Maintenance

1. The City should provide a continuing and preventive maintenance service program.
2. The City should:
- (a) Provide a maintenance education program for homeowners, landlords and tenants.
 - (b) Develop prepaid maintenance funds for rental and owner occupied housing on an experimental basis.
 - (c) Prevent the phenomenon of "abandonment". If necessary the City should intervene to preserve buildings and keep them in the housing market.
 - (d) The City should encourage private neighborhood improvement efforts through such actions as working with neighborhood groups, assisting the development of block or neighborhood improvement associations, promoting landlord-tenant cooperation, encouraging self-help programs, joint materials-purchasing, etc.

Citizen Participation

1. The City should involve Berkeleyans at all levels of the housing conservation effort.
2. The City should establish and staff a housing conservation commission as part of an overall Housing Commission whose functions would include, but not be limited to the following:

- (a) Help formulate program policy
- (b) Participate in the budgetary process
- (c) Help develop the work program
- (d) Monitor program administration
- (e) Help measure the program impact in the neighborhoods
- (f) Obtain citizen response to the housing conservation effort.
- (g) Establish program priorities
- (h) Advice in the selection of staff and evaluation of staff performance
- (i) Help educate Berkeleyans on housing conservation

3. The City should designate and staff either the Housing Advisory and Appeals Board, or establish a separate citizen body to hear and render decisions, subject to appeal to the City Council, on housing conservation cases such as affordability appeals, relocation grievances, permitted rent increases, etc.

4. The City should encourage existing neighborhood organizations to participate extensively in the housing conservation program, and to provide input into the Housing (Conservation) Commission and the Appeals body. Where there are no existing neighborhood organizations, the City should help establish them.

5. The City should help organize a Council of Neighborhoods, one of whose functions would be to act as a citizen clearinghouse for housing conservation.

Other

1. The City should have ongoing studies to explore all available financial resources for housing conservation.

2. The City should act as an advocate at the state and federal level to eliminate legislative obstacles to housing conservation.

3. There should be an annual evaluation report submitted to the City Council. This report should include both an assessment by staff and assessment by the Housing (Conservation) Commission. Public hearings should be held on this evaluation report in order to obtain maximum citizen response to the housing conservation program.

4. If the budget for some elements of the housing conservation program is exhausted in a given year, units (people) that require those elements should not be forced to participate until further funding is available. The program should continue for housing requiring only the elements which have not run out of money, and for voluntary participants.

CITY OF BERKELEY

Memorandum

TO: BERNON ERICKSON, Chairman, Housing Rehabilitation DATE: May 27, 1975
Loan Committee
FROM: JOHN L. TAYLOR, City Manager
SUBJECT: BERKELEY HOUSING REHABILITATION PROGRAM SUBMITTED JUNE 25, 1974 BY
ILONA HANCOCK

Background

On June 25, 1974, Councilmember Hancock presented the attached report to Council entitled "Berkeley Housing Rehabilitation Program." The Council referred the report to the Housing Conservation Task Force for comment, analysis, and recommendation.

On September 10, 1974, the Task Force sent a memorandum to Council indicating that it was too early at that point to analyze Ms. Hancock's proposal, but that it would specifically address the report in its comprehensive report on housing conservation, which is due to Council during June 1975. In that memorandum the Task Force also indicated that it would seek the advice of the Housing Rehabilitation Loan Committee regarding the financial elements of the report once the committee was formed.

Current Request

This is a request that you distribute copies of the report to the members of the Housing Rehabilitation Loan Committee and forward comments to me prior to June 5, 1975. Five copies of the report are attached for your convenience. If you have any questions, please contact Janet Roche.

JOHN L. TAYLOR
City Manager

Attachments

CITY OF BERKELEY

APPENDIX C-5

Memorandum

TO JANET ROCHE, Dir. of Housing & Development DATE June 16, 1975

FROM BERNON R. ERICKSON, Chairman, Housing Rehabilitation Loan Committee

SUBJECT: BERKELEY HOUSING REHABILITATION LOAN PROGRAM SUBMITTED JUNE 25, 1975
BY ILONA HANCOCK

On June 4, 1975, the Housing Rehabilitation Loan Committee met to consider the subject program. John Hill, Lloyd Wilbur and I were present and constituted a quorum. The comments following are shared by all members present and are keyed to paragraph and page numbers of the narrative of the proposed program.

Par. II, Page 2: The legality of requiring participation in the program is questioned. The power to require structures to conform with "Code" is not questioned, only the "means".

Par. III.B., Page 3: The concept of using the Housing Rehabilitation Program as a rent control vehicle is not endorsed.

Par. III.C., Page 4: If rent control is instituted, the 2% rate is considered unrealistic. Inflationary pressures would "eat up" to allowable increase within 3 to 6 months. To be equitable, rent control program must be constantly viewed in terms of the current economy and not in terms of an artificial base.

Par. III.D.1., Page 4: Return on equity (ROE) not deemed the proper measurement factor. Return on Investment (ROI) is consistent with normal accounting and regulatory practices. An ROI of 10 to 12 percent is considered the minimum acceptable to retain investment capital in the housing market. (The term equity may be viewed in two ways: (1) Simply the total hard dollars a person has paid for an interest in an asset; (2) The market price of an asset less any indebtedness on the asset.)

Par. III.D.2., Page 5: Depreciation is not a revenue item. In the conventional practice, it is considered an expense. (The price paid for an asset is an expense and the amortization of such expense over a period of time for durable assets is a long established principle of equitable recognition of such expense.)

Par. III.D.2., Page 7: The remarks addressing principal payments not as costs but as establishing an asset is, once again, not in the conventional practice. As noted earlier, such payments are costs. The value of an asset is truly determined only relative to current market price--as the market price varies, the value of the equity in an asset varies. There is really no "agreed" market rate for home repair work. Contractors price specific jobs with respect to their total costs (labor, material, overhead) and sometimes weighted by "customer affluence". Such total costs vary from contractor to contractor, depending on labor and material supply sources, etc. Any action in this direction must be arbitrary.

CITY OF BERKELEY

Memorandum

TO JANET ROCHE -2- DATE June 15, 1975

FROM BERNON R. ERICKSON

SUBJECT: BERKELEY HOUSING REHABILITATION LOAN PROGRAM SUBMITTED JUNE 25, 1975
BY ILONA HANCOCK

Par. III.F., Page 8: Inflation economics preclude the reasonableness of the proposal to "roll back" rents to their levels one year earlier once an area is declared a rehabilitation district.

Par. IV.C., Page 10: The provisions for the City's paying for a share of repair costs for low-income homeowners is viewed as a subsidy and could prove extremely costly. There is no data available on which to evaluate how costly.

Par. V.A., Page 12: Financial institutions' lending policies are often based on the economic direction of specific neighborhoods. The committee concurs that "serious commitment to various rehabilitation actions" must encourage institutions to make ordinary loans. As private profit-making vehicles, lending institutions must evaluate the financial risk of each loan application.

Par. V.J., Page 17: The creation of tax allocation (increment) districts for rehabilitation areas is a means of identifying specific tax receipts as "earmarked" for specific purposes--i.e., a pool for paying for improvements. This action would not increase revenue to the City, only decrease the flexibility in the use of revenue while increasing the compliance costs attendant to the tax receipts.

Par. VII, page 19: The replacement of units built in previous economic periods must entail "upgrading" in terms of costs if replacement of same floor space is sought. Simply stated, a 1,200 square foot house built in 1930 generally has a lesser market value than a 1,200 square foot house built in 1975. The occupant of the former who requires a 1,200 square foot home may not be able to afford the new structure.

The committee enthusiastically endorses the concept of City participation to assist the private sector in the procurement of adequate housing for all Berkeley residents. It is of the opinion that the municipal loan program is a major step toward this goal. It is also of the opinion that the program should not be primarily structured as a rent control device. It views certain provisions of the proposal as an approach to effect a redistribution of income without providing an equitable basis therefor. The Housing Rehabilitation Program is viewed as only one program needed to provide a better life for low and moderate income citizens. Positive and innovative programs identified with the renewal of the commercial and industrial growth of Berkeley--inclusive of educational and vocational skills programs--are viewed as other means for improving the living conditions of Berkeley residents.

Bernon R. Erickson/mk

BERNON R. ERICKSON
Director of Finance

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